

MEKELLE UNIVERSITY
DEPARTMENT OF MANAGEMENT
COLLEGE OF BUSINESS AND ECONOMICS



**ASSESSMENT OF FACTORS AFFECTING SALES VOLUME:
WITH REFERENCE TO MESFIN INDUSTRIAL ENGINEERING PLC**

BY:

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**A PROJECT WORK SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION (MBA) IN INTERNATIONAL BUSINESS**

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DECLARATION

I, **Guesh Berhe**, here by declare that the thesis entitled “**Assessment of Factors Affecting Sales Volume: A Case Study of Mesfin Industrial Engineering PLC**”, submitted by me to the award of the Degree of **MBA** in **International Business** of Mekelle University at Mekelle, is original work and it hasn't been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution.

Name_____ Signature_____

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CERTIFICATION

This is to certify that this thesis entitled “**Assessment of Factors Affecting Sales Volume: A Case Study of Mesfin Industrial Engineering PLC**” submitted in partial fulfillment of the requirements for the award of the degree of **MBA** in International Business to the College of Business and Economics, Mekelle University, through the Department of Management, done by Mr. **Guesh Berhe** , ID No.**CBE/PR0003/01** is an authentic work carried out by him under my guidance. The matter embodied in this thesis has not been submitted earlier for award of any degree or diploma to the best of my knowledge and belief.

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ABSTRACT

This project paper entitled “Assessment of Factors Affecting Sales Volume: A Case Study of Mesfin industrial engineering PLC” has been formulated by five leading research questions. The objective of this study is to assess the internal and external environmental factors affecting sales volume of Mesfin Industrial Engineering PLC. Taking this view in to account, the internal factors like price, product quality, place, and promotion mix elements, level of inventory of MIE has been discussed. In addition to this, the external environmental factors like natural, economical, technological, political-legal ,and the nature of competition in the market have been assessed &described and also the way these factors are affecting the company has been described. Further more, the sales trend of the company and the type of promotion tools that company employ have been assessed. Finally, based on the findings, some suggestions on how to improve the existing situation have been forwarded. This study was conducted using the case study method in the form of descriptive research. To carry out this study both primary and secondary data have been used. For the theoretical foundation and analysis, the existing literatures were investigated. To collect the primary data from the customers of the company, questionnaire has been employed. In addition to this, an interview was conducted face-to-face and questions were asked according to the interview schedule. It was carried out in the form of discussion with the sales division manager and the general manager of the company. For the purpose of this study both qualitative and quantitative data were obtained. The quantitative data were analyzed using different types of descriptive statistics by applying Microsoft Excel where as qualitative data were analyzed qualitatively .The major findings that the researcher has come up with are poor delivery, no close proximity with suppliers of raw materials, no sales professionals, absence of adequate training to sales persons and higher price. Further more, the company employees advertising as a method of promotion tool where as sales promotion and public relation are not extensively used. Personal selling as a promotional tool is not well used and nothing has been done on this area. The company’s sales volume was fluctuating for the last eight years due to longer lead time, interruption of electric power, lack of order from customers and shortage of raw materials.

Based on the findings of this study, the researcher has put valuable recommendations on what the company should do to improve its existing conditions and to play a great role in the metal manufacturing industry.

Keywords: Advertising, Personal Selling, Product quality, Price, Sales volume, MIE,

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ACRONYMS AND ABBREVIATIONS

ABS- Anti-lock Braking System

Ads- Advertisements

ASR- Acceleration Slip Regulation

BMW- Bavarian Motor Works

CAD –Computer Aided Design

CAM-Computer Aided Manufacturing

DGM- Deputy General Manager

EFFORT- Endowment Fund for the Rehabilitation of Tigray

EEA –Ethiopian Economic Association

FDRE – Federal Democratic Republic of Ethiopia

GDP – Gross Domestic Product

GM- General Manager

HP- Horse Power

ISO –International Organization for Standardization

IT – Information Technology

Km/h- kilo meter per hour

KW- Kilo Watt

MIE PLC-Mesfin Industrial Engineering Private Limited Company

MOT- Ministry of Transport (UK)

Mph –mile per hour

MR- Management Representatives

NM-Newton Meter

PACS -Political Action Committees

PR- Public Relation

TV- Television

4ps- Marketing mix elements, which is a combination of; Product, Price, Place, and Promotion.

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CHAPTER I: INTRODUCTION

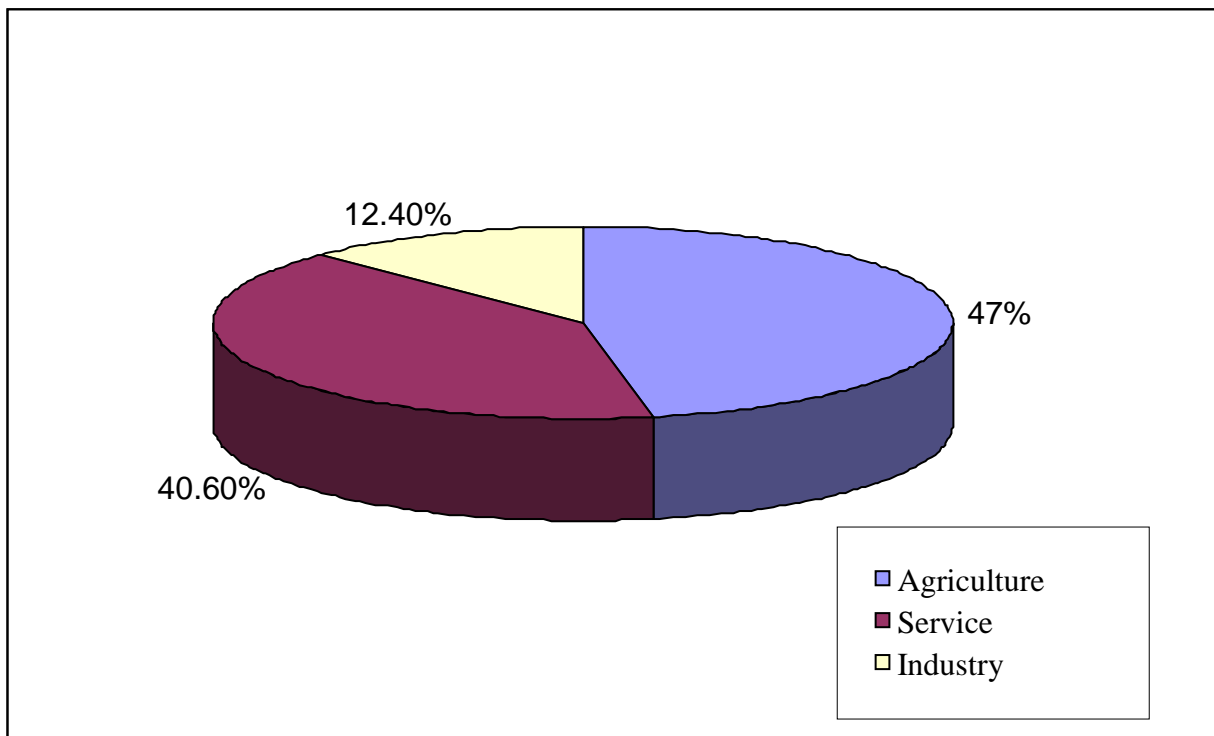
1.1 Background of the Study

The Ethiopian economy is an agrarian economy in which the livelihood of about 85 percent of the population directly or indirectly depends on the agricultural sector. The sectoral structure of the value-added to the national economy in 2004 (GDP composition of sectors) accounts: Agriculture 47 percent, Service Sector 40.6 percent and Industry 12.4 percent (EEA, 2003/04).

Out of the total share of the industry sector, manufacturing represents 7 percent. Major industrial sub-sectors are food, beverage, tobacco, textiles, leather, printing, paper, and non-metallic minerals. In consumer goods manufacturing food, beverage, textile, leather and shoe dominate the large and medium scale manufacturing sub-sector in Ethiopia. These four groups, including the chemical process industries, account for 78 percent of the gross value of output of the large and medium scale-manufacturing sector. Obviously the metallic manufacturing industries account only less than 22 percent of the manufacturing sector (EEA, 2003/04).

Manufacturing industry has historically been weak and its growth has remained insignificant with contribution to the country's GDP averaging 13 percent. On the other hand, the share of the services sector in GDP has been rising and peaked at 41.5 percent in 2002/03. Industry and the services sectors registered considerable recovery over the five-year period with growths averaging about 4.5 percent and 5 percent, respectively. Industry and the services sectors together accounted for 53 percent of GDP and agriculture accounting for the remaining 47 percent in 2003/04(CSA, 2005 cited in Getinet, 2007).

Figure1.1: GDP Composition of Sectors



Source: CSA, 2005 (cited in Getinet , 2007)

It is clear that the industrial sector is well behind both the agriculture and service sectors. When we further analyze the composition of the industry sector, we find that the share of the manufacturing sub-sector is only 5.4 percent of the total GDP in 2003/04(Getinet, 2007).

Although the sector's contribution to GDP is low, development of the manufacturing sector plays a vital role in the country's economy in three ways: (a) the value addition process creates job opportunities for local citizens, thereby reducing the level of unemployment; (b) products manufactured locally will have a substitute effect for imports of some manufactured products, thereby saving foreign currency; (c) it increases export value added products instead of raw agricultural products, thereby earning a higher foreign currency from exports(Getinet, 2007) .

Organizations exist to attain certain mission for undefined period of time. In order to exist in the business for a long period of time, organizations must look for effective and efficient ways of doing business activities to achieve organizational objectives. At present due to environmental

dynamism and competitiveness, the struggle for survival and succeeding in the business has become more difficult and challenging in the competent global world (Rajasekhara, 2008).

Today, business is conducted in a dynamic environment where every thing is changing and changing fast. A successful business is one which not only recognizes this fact and prepares to face the challenges posed by the change but influences the speed and direction of the change to make the conditions more conducive for its survival and growth.

Churchill (2003), stated that the highly dynamic and competitive environment of the 21st century demands a more responsive, flexible approach to sales management. Sales are becoming less hierarchical with fewer layers of management while more responsibility is being given to the sales person.

The Ethiopian manufacturing industries are operating today in a business environment characterized by dynamic environment where global competition and technological advancements are changing rapidly. In order to respond to this rapid environmental changing and being able to be competent in the face of stiff competition, proper implementation of selling activities is of paramount importance to business firms.

Many firms face markets that demand high level of service. Firms that sell capital equipment, for instance, must provide their customers with installation and maintenance service; fashion manufacturers must provide rapid order processing and delivery; and firms that sell electronic components must offer special product design and engineering services. These services must be integrated with the rest of the firm's marketing and selling activities for the company to compete effectively (Churchill, 2003).

The sales department of a company is responsible for the selling of products and its accompanying activities such as pricing, promotion, maintenance of customer satisfaction and related activities. If the performance of the sales department is not tantamount to the expectation of customers, sales volume would decline. This reduction of sales would inevitably threaten the over all livelihood of the firm (Darsie, 2003).

The sales (selling) concept holds that customers, if left alone, will not ordinarily buy enough of the organizations products. The organization must therefore undertake an aggressive selling and

promotion effort. This is to mean that under normal circumstance customers show inertia or resistance unless they are pushed to buy. So the company must use effective selling and promotion tools to stimulate more buying thereby increasing sales volume (Kotler, 1999).

The ultimate goal of any business establishment is to remain in business profitably through production and sale of products or services. Without optimal profit, a business firm cannot survive, let alone achieve a sustainable growth. One of the core activities in a business company is the marketing and sales activity. The ultimate success or failure of a company depends on its ability to sell what it produces and continues the production-sales cycle for relatively a longer period of time (Getinet, 2007).

1.2 Statement of the Problem

For all business organizations, profit is a determinant factor for their existence in the ever changing business environment. The primary objective of a business undertaking is to earn profit. A business organization needs profit not only for its existence but also for expansion and diversification. Keeping other things constant, the profitability of an organization depends on its sales volume.

Mesfin Industrial Engineering (MIE) being one of the Endowment Fund for the Rehabilitation of Tigray (EFFORT) companies is a privately owned company located at the northern part of Ethiopia, in the Tigray regional capital, Mekelle. It is the leading equipment manufacturing and industrial engineering company in East Africa. MIE designs and installs equipments & components for the energy, mining, manufacturing, construction, transportation, and agricultural sectors. Despite this fact, the company could not achieve a sales volume as expected and sometimes its annual sales volume is less than what other small firms can achieve it with in a year. Further more, a study conducted in the company on the area of model development of supply chain management system by Mesfin (2007) shows that the company has not been utilizing its capacity although it is the largest metal products manufacturing in the East Africa. Therefore, for a business enterprise like Mesfin Industrial Engineering PLC, the detail examination of factors affecting its sales volume becomes crucial because it can at least tell us some thing about the past and current sales trend and the over all profitability of the company.

Mesfin Industrial Engineering PLC, which is engaged in manufacturing activity, is highly influenced by internal and external environmental forces. One thing that can be mentioned here is that according to sales data of the company (2002-2009), there is a fluctuation of sales figures over the past eight years. Furthermore, a recent study made by Yemane (2009) on the area of promotional activities and practices shows that the company has given little attention to personal selling which is fundamental and widely used to promote or increase sales by companies who are engaged in similar activities. Therefore, this is a crucial issue that demands attention and further investigation to know why this has happened to the company.

Hence, this study aims to identify the factors that could affect the sales volume and will suggest suitable measures for improving the existing conditions of the company by answering the following research questions:

1. What are the factors affecting sales volume of the company?
2. How do these factors affect sales volume of the company?
3. What does the past and current sales trend of the company seem?
4. What promotion means are employed by the company?
5. What must be done to increase or improve existing level of sales volume?

1.3 Objective of the Study

The general objective of the study is to assess the internal and external environmental factors affecting sales volume of Mesfin Industrial Engineering PLC.

Specific Objectives

1. To describe the factors affecting sales of products of the company
2. To find out better ways of promoting sales of the company's product.
3. To describe how the different factors affect sales volume of the company.
4. To investigate the existing and the previous sales trend of the company.
5. To examine the promotion tools employed by the company.

1.4 Significance of the Study

The fact that no studies have been conducted in the company regarding this issue makes worth conducting this study. The research outcome could be an important input to the company to make the necessary adjustments and improvements based on the recommendation of the study.

The research could open the door for other researchers who want to study further on this area or other similar issues. Furthermore, the study can be used as a literature review.

1.5 Scope of the Study

In this case, the study has given emphasis to the internal and external environmental factors affecting sales volume of the company. To enrich the study internal company documents were employed. More specifically, this study has used sales figures of the company for last eight years starting from 2002-2009. For the inventory turn over rate, planned sales figure and quantity of product sold a five year company data has been used (i.e. 2005-2009). For the purchase plan, however, a four year data of the company was employed. This study has also included all the relevant activities within the sales department of the company or outside it that have a positive or negative impact upon the implementation of selling activities in particular and marketing activities in general.

Furthermore, the study has covered areas of Mekelle city where customers of the company are concentrated on.

1.6 Limitation of the Study

Some of the limitations (problems) that the researcher has faced in carrying out this project are listed as follows:

- The time given for the researcher to conduct this study was very short and the researcher could not cover all the necessary areas that have to be covered.
- There was electric power interruption during the time of the study and this has resulted in problem of editing, typing the results of the study and also a problem in obtaining relevant theoretical and empirical studies about the title from the internet. .

- The researcher could not get complete secondary data on planned and actual sales figures. The researcher has only used data of actual sales & planned sales for eight and five years respectively.
- Some respondents were not willing to fill in the questionnaire because they get bored with filling questionnaire each time.
- Some questionnaires were not collected respondents could not fill in and return it on time.
- Unavailability of empirical studies related to the title.

CHAPTER II: Review of Literature

2.1 Internal Factors Affecting Sales

Before the factors that affect sales volume of a company is discussed, it becomes important to define what sales volume is. Sales volume is the quantity or number of goods sold or services rendered in the normal operations of a firm in a specified period¹.

The internal factors affecting sales in the automotive industry are features of the product and its management that have effect on sales and can be influenced to most extent by the car producers themselves. There are decisions regarding the *product, price, place* and *promotion*, which are also called the 4Ps or the marketing mix in the marketing language.

As the marketing mix is based on the companies understanding of its consumers the right management of these elements will have a major impact on the performance of sales.

2.1.1. Price

Price is one of the key factors of the marketing mix as it represents what a company earns in return for its efforts. Its setting is to be regarded with care as both undercharging (lost margin) and overcharging (lost sales) can have dramatic effects on the profitability. When setting price a producer has to be aware about the elasticity of its product. An elastic product would react to a small change of price with a large change in demand. An inelastic product is not as price sensitive and a change in price would only lead to a small change in demand. Looking at the industry, especially in the low price and small vehicle mass market, price is a very decisive factor for sales. Customers that want to buy a cheap car will be more price sensitive. Therefore, competing with price in this sector will have a positive effect on figures. Further, there is a lot of competition in the market with excess capacity, which leaves the customer with a lot of choice and buying power. Generally, vehicles in the lower price segments can be regarded as elastic as a lower price would increase sales by gaining consumers from the competition. An example for this would be the successful pricing policy of the Japanese and the Koreans. On the other hand, customer that buys more expensive vehicles in the middle and upper class show less price sensitivity. When

¹ (<http://www.businessdictionary.com/definition/sales-volume.html>)

buying more superior vehicles product and brand features become more important. When spending a large amount of money small changes in price become less significant. This means the higher the class and the greater the costs of a vehicle, the more price inelastic it will become. Further it is proven that products that are a form of self-expression such as expensive cars will suffer from prices that are too low (Ackel, 2005).

The firm facing a competitor's price change must try to understand the competitor's intent and the likely duration of the change. The firm's strategy often depends on whether it is producing homogenous or non homogenous products. Market leaders who are attacked by lower priced competitors can choose to maintain price, raise the perceived quality of their product, reduce price, increase price and improve quality, or a low-price fighter line (Kotler, 1999).

Pricing products is an integral part of selling. Salesmen have little to do with actually setting prices, but they should understand their firm's pricing policies so that they can show the customer he is getting good value for his money. Pricing policies vary considerably from seller to seller and are influenced by a number of factors: the type of selling organization, the type of product handled the firm's customers, the firm's competitors and the general economic environment (Wingate, 1969).

2.1.2 Product

The company's product is the core element in the marketing mix as it provides the functional elements that are received by the customer. The product itself will be one of the main drivers on a consumer's decision whether to purchase a certain vehicle and therefore has a major effect on sales. Cars have several features, which are listed below that can have effect on their sales performance (Op.cit, 2005).

i. Quality

According to the Quality Gurus Juran and Crosby quality is "fitness for purpose" or "conformance to specifications" respectively. This would mean a good quality product satisfies or delights the customer and its production lies within the given specifications.

When it comes to cars the definition of good quality to a consumer is a little more difficult. The magazine Media Mind, which made research on 33 car brands, included the following factors to define the quality of cars. A part of the quality ranking is its technology, which shows how well a car is produced and assembled. Second is the reports made by MOT, which is a good indicator for the durability a vehicle. The final factors are breakdown statistics, which shows failure after sales. Currently German brands are still regarded as top of the league when it comes to quality but the Japanese producers are close to catch up. As the Japanese are getting stronger in the market this could have a relation to their improvement in quality and show its importance. Overall it can be said that all customers that purchase a new vehicle will have high expectations to its quality. Of course the demand for good quality will rise as the car gets more expensive but generally all producers can improve their position with providing better quality. Quality is not only a factor that can affect sales positively but for instance in the example Mercedes quality issues can lead to image damaging results and even a drop in sales(Ibid,35).

ii. Innovation and Technology

Innovation is the introduction of new ideas, goods, services and practices which are intended to be useful. In the car industry, technology and innovation play an important role as they improve standards of driving. There are three main categories innovation can have an impact on. The first category is the performance and the economy of the motorization. Examples for this would be the improvement of performance of diesel engines or the development of hybrid engines to reduce consumption by the Japanese. The second category is the improvement of safety, which improves the security for passengers. Anti-lock Braking System(ABS) which helps to stop a car in the shortest distance possible even on icy grounds, or airbags, which protect passengers at a collision, were milestones in the development of new safety features, which by now saved many lives. Finally, in the last category are technological developments that support the driver and make using a vehicle more comfortable and easier. Examples for this would be parking aids that alarm drivers when getting too close to an object or the so called cruise control, which enables drivers to raise and lower the speed using their hand and taking off pressure of their legs doing long journeys. Overall it can be said that the development of new technology can create a competitive edge for certain period of time as long as patented and boost sales for a producer. On the other

hand, new features are often costly and normally at their introduction only demanded in the upper-class market(Ibid, 36).

iii. Handling/ Performance of Engine

The handling of a vehicle would define how well a vehicle performs adjustments on the steering wheel, particularly during cornering. Sporty cars are generally harder suspended and show better performance taking corners while standard cars have more comfortable suspensions and are not performing as good in corners.

The performance of an engine can generally be defined by the amount of cylinders, its engine size in liters and an indicator of power in KW, hp or Nm. Also good performance indicators are the acceleration time 0-100 km/h or 0-60 mph and the top speed of a car. Both handling and motor performance requirements are dependant to the segment a vehicle finds itself in. Sports cars like a TVR and sporty luxury cars like an Audi S₄ show in both categories better performance than average. Therefore, a competitive edge can be created with those features in these segments having a positive impact on sales.

To conclude the features of good handling and good engine performance can have a positive effect on sales also in the mass market as long as other features like low fuel consumption are not left behind. Handling and engine performance gains in importance in certain performance related markets. Therefore, these features have a strong relation to the preference of the consumer (Ibid, 36).

iv. Economy of Engine

The economy of an engine is usually related to its performance. The greater the performance the bigger the engine the more fuel the engine consumes. With current ecological problems of the greenhouse effect, shrinking oil resources and rising petrol prices the economy of engines is playing a more important role than ever. Also smaller fuel-efficient engines are offered lower insurance and tax premiums. Especially in the lower market segments, low fuel consumption is a driving factor for sales as the budget for purchase and running costs play a more important role to the consumer. About 50 percent of consumers in a survey made by Auto Bild are interested in low fuel consumption and running costs when purchasing a vehicle. Normally the buyer has a

choice of different engine sizes for each model and can decide whether performance or consumption is more important. However, many consumers want the best out of both. A diesel-motorized car is therefore a good solution as consumption is relatively low and performance has increased immensely over the past years, nearly catching up with the development of petrol equivalent. By now about 40 percent of European vehicles are fuelled with diesel, having an increasing percentage. Even luxury cars like the Mercedes S-Class or the Audi A₈ offer diesel engines in their portfolio. As diesel engines still have a greater potential for improvement, as technology was left behind and regarded as inefficient for passenger cars until 15 years ago, further development in this sector could lead to a competitive edge, having a positive influence on sales (Ibid, 37).

v. Safety

The safety of a vehicle is defined by the security it provides to the passengers in dangerous situations or a collision. With increasing numbers of vehicles on Europe's roads the safety of vehicles has always been important. Safety can be improved by developing features that help prevent accidents or protect the passengers in case of one. By developing safety features like ABS, ASR or the airbag Mercedes Benz could create a very positive image for itself. Also Volvos were especially in the 1980s and 1990s popular family cars as they were famous for their good accident performance. Accident statistics show a reduction in number of people killed but a slight increase in number of people injured on Europe's roads. This could have developed by current safety improvements, helping save people's lives getting injured rather than killed. The provision of good safety and the development of new features can definitely have a positive impact on sales such as in the two examples of Mercedes and Volvo. Safety is generally a want/need of consumers but its importance varies in certain segments (Ibid, 38).

vi. Design and Aesthetics

A design is responsible for the appearance of a product and seems to be a very important feature in any market segment. Every customer would want his vehicle to be aesthetically pleasing. Of course there might be variation in taste and in importance as other features might be tradeoffs. According to an employee of BMW research has been made on this topic and the result was that there are two ways to design a car. The first one is using old design features of previous models,

which make the vehicle more convenient and pleasing to the public. The second way is to use new features, which results in the consumer first having to get used to the design. Interesting is that designing a vehicle with new features will have a positive impact on the product lifecycle as people get bored of the same features over time. An example for this would be the new E-Class, which design was heavily based on the old model resulting in great sales at the beginning but now dropping immensely. However, the new 5 series was regarded as a flop at the beginning because of its design, and has reached in January 2005 the second best-selling vehicles in Germany. To conclude unless in the lower price market segments, design plays an important role when it comes to purchasing a vehicle. Most producers know this and therefore a lot of effort is put into that stage. However, more risky and fresh designs can have positive impacts on sales, which can be seen in the current success of BMW (Ibid,39).

2.1.3. Place

Place is the part of the marketing mix that involves decision concerning the distribution channels to be used for a product, their management, their location, logistics and inventories to be held. The objective is to provide the product in the required quantities, at the right time and place. In the automotive industry each manufacturer keeps an exclusive distribution network where its dealers are mainly independent enterprises tied to certain brands by contract. The distributors' management and their location lie mostly in their own responsibility. Inventories of standardized and well selling vehicles are held in small amounts by the dealers, which can be exchanged, if necessary and in larger amounts by the manufacturers. However, in the car industry especially in the higher price classes great customization is required and therefore many vehicles are only built to order. Although distributors are regarded to have little power and responsibility they are the linking joint between the producer and the consumer and are closing the deal (Ibid, 40).

Because of the distributors' before and after sales customer contact, it is their responsibility to provide excellent customer service, build up a good relationship and therefore create customer satisfaction, which can improve the image of a vehicles brand. Also all these factors can have a positive impact on sales as satisfied customers are often repurchasing. Especially in the car industry there is a strong affinity between consumers and a certain brand based on previous experience with the product and the people that provide it. Japanese producers are currently creating the greatest customer satisfaction, which could be a reason for their current success.

Overall it can be said that distributors can have a major impact on sales by providing a good service and closing the final deal with the consumer (Ibid, 40).

Physical distribution or place must be integrated with the other '4Ps' in the marketing mix. For example, the design of product packaging must fit on to a pallet, into a truck and on to a shelf; prices are often determined by distribution channels; and the image of the channel must fit in with the supplier's required positioning. Distribution is important because: Firstly, it affects sales - if it is not available it can not be sold. Most customers will not wait. Secondly, distribution affects profits and competitiveness since it can contribute up to 50 percent of the final selling price of some goods. This affects cost competitiveness as well as profits since margins are squeezed by distribution costs. Thirdly, delivery is seen as part of the product influencing customer satisfaction. Distribution and its associated customer service play a big part in relationship marketing ¹

Decisions about physical distribution are key strategic issues. They are not short term. Increasingly it involves strategic alliances and partnerships which are founded on trust and mutual benefits. Channels change throughout a product's life cycle. Changing lifestyles, aspirations and expectations along with the IT explosion offer new opportunities of using distribution to create a competitive edge. Controlling the flow of products and services from producer to customer requires careful consideration. It can determine success or failure in the market place. The choice of channel includes choosing among and between distributors, agents, retailers, franchisees, direct marketing and a sales force. Deciding between blanket coverage or selective distribution, vertical systems or multi-channel networks, strategic alliances or solo sales forces, requires strong strategic thinking. ²

2.1.4 Inventory Shortages

Inventory levels represent a major marketing logistics decision affecting customer satisfaction. Sales people would like their companies to carry enough stock to fill all customers' orders

¹ (http://www.multimediamarketing.com/mkc/distribution_channels/).

² (http://www.multimediamarketing.com/mkc/distribution_channels/).

immediately. However, it is not cost effective for a company to carry this much inventory. Inventory cost increase at an increasing rate as the customer service level approaches 100 percent. Management would need to know by how much sales and profits would increase as a result of large inventory and promising faster order fulfillment times and then make a decision accordingly (Kotler, 1999).

2.1.5. Promotion

Promotion is the final aspect of the marketing mix, dealing with the customer awareness and relation to the product and the brand. Decisions are made with respect to the promotional mix, which involves advertising, personal selling, sales promotion, direct marketing, and Internet and online promotion. In the automotive industry promotion is taken as a serious subject and usually all manufacturers have specially designed marketing departments that work closely together with other departments to tackle these tasks (Op.cit, 2005).

Promotion, which involves marketing strategy, is also meant to have an influence on a brand's image. The image of a vehicle and especially its make is one of the main drivers that affect the decision of a customer. Media Mind, a quality test magazine, which was testing the strength of 33 producers, gave the second highest importance to consumers with 20 percent of the total grade to a car's image. But a brand's image is especially influenced by its products and their performance as well as the groups that the products are targeted at. Also a brand's origin and its place of production have got an influence on its image. For example, German vehicles still stand for good quality whereas British cars for excellent design. Producers use the fact that people often prefer inland products and build assembly plants in the area to gain higher market share. The brand Opel, which is branded as Vauxhall in the UK, is a good example as it appears to be a British brand. Overall it can be said that the image of a vehicle producer is a very important factor when it comes to sales, as customers associate certain features with a brand. A positive image will increase sales and is at the same time very effective promotion. Damaged images like the one of Mercedes at the moment will affect sales negatively. There fore, producers have to be aware of their perception by the public and do their best so it fits in with their aimed marketing strategy (Ibid, 41).

The promotional component of marketing involves four basic tools: Advertising, sales promotion, personal selling and publicity.

i. Advertising

Advertising is one of the main tasks of marketing departments and aims to make the target audience to be aware of the existence of a product. Generally, used outlets for publicities and introductions for new vehicles are car shows like the Geneva Auto salon or vehicle show rooms, advertising on billboards, in magazines, on TV and sales brochures. All manufacturers provide well-designed websites and information using the Internet, which is a very effective medium as it reaches globally. Also a very good medium of promotion is the support of car magazines, which write reports on tests with new vehicles, which are usually provided by the manufacturers. To conclude advertising can be very useful in catching a customers attention and the provision of information to those that show interest are crucial. However, the most effective promotion is the presence of the vehicles on the roads, which will achieve the greatest interest in the product, as customers will be in touch with it on a repeating base (Ibid, 41).

According to Kotler (2004), advertising is any paid form of non personal presentational and promotion of ideas, goods or services by an identified sponsor .The sales effect of advertising are often harder to measure than the communication effects. Sales are affected by many factors besides advertising- such as product features; price and availability. One way to measure the sales effect of advertising is to compare past sales with past advertising expenditures. Another way is through experiments. For example, to test effects of different advertising spending levels, coca-cola could vary the amount it spends on advertising in different market areas and measure the differences in resulting sales levels. It could spend the normal amount in one market area, half the normal amount in another area and twice the normal amount in another area, and twice the normal amount in a third area. If the three markets area similar and if all marketing efforts in the area are the same, the difference in sales in the three areas could be designed to advertising level. More complex experiments could be designed to include other variable, such as difference in the ads or media used.

Advertising your business increases sales volume because people like buying a name they feel they know. That is why so many people refuse to buy products that are a generic brand. They don't know the name because they have never heard of it. They have never been given a reason to trust the name and therefore they don't trust it. The product is often just as good, if not better than the "name-brand" counterpart is, but the customer will not touch it. If your goal is to simply reach more people in your area that can be done on a smaller scale. Advertising in local newspapers is a good place to start. Many businesses hire people to stand with signs along the road to encourage customers to come to their place of business. Others place large signs outside advertising the specials they have for that day.¹

ii. Sales Promotion

Sales promotion includes a wide assortment of tools -coupons, contests, cents off deals, premiums, and others - all of which have many unique qualities. They attract consumer attention, offer strong incentives to purchase, and can be used to dramatize product offers and to boost sagging sales. Sales promotion invite and reward quick response whereas advertising says, "Buy our product", sales promotion says, "Buy it now". Sales promotion effects are often short-lived, however, and often are not as effective as advertising or personal selling in building long run brands preference (Kotler, 2004).

Sales promotion seems most effective when used together with advertising. In some study, a price promotion alone produces only a 15 percent increase in sales volume when combined with feature advertising, sales volume increased 19 percent; when combined with feature advertising and a point-of-purchase display, sales volume increasing 24 percent (Kotler, 1999).

Several factors contributed to the rapid growth of sales promotion, particularly in consumer markets. Internal factors include the following. Promotion is now more accepted by top management as an effective sales tool: more product managers are qualified to use sales promotion tools, and product managers are under great pressure to increase their current sales.

¹ (<http://www.hellium.com/items/156106-advertising-business-sales-volume>).

External factors include the following: the number of brands has increased, competitions use promotions frequently, many brands are seen as similar, consumers are price-oriented, the trade has demanded more deals from manufacturers, and advertising efficiency has declined because of rising costs, media clutter, and legal restraints(Kotler ,1999).

Sales promotion can also be defined as follows: “An activity designed to boost the sales of a product or service. It may include an advertising campaign, increased PR activity, a free-sample campaign, offering free gifts or trading stamps, arranging demonstrations or exhibitions, setting up competitions with attractive prizes, temporary price reductions, door-to-door calling, telemarketing, and personal letters on other methods”.

More than any other element of the promotional mix, sales promotion is about “action”. It is about stimulating customers to buy a product. It is not designed to be informative-a role which advertising is much better suited to.

Methods of sales promotion

There are many consumer sales promotional techniques available which are summarized as follows.

Price promotions Price promotions are also commonly known as “price discounting”. These offer either (1) a discount to the normal selling price of a product, or (2) more of the product at the normal price. Increased sales gained from price promotions are at the expense of a loss in profit-so these promotions must be used with care. A producer must also guard against the possible negative effect of discounting on a brand’s reputation.

Coupons Coupons are another, very versatile, way of offering a discount. The key objective with a coupon promotion is to maximize the redemption rate-this is the proportion of customers actually using the coupon.

One problem with coupon is that it may simply encourage customers to buy what they would have bought anyway. Another problem occurs when retailers do not hold sufficient stocks of the promoted product-causing customer disappointment. Use of coupon promotions is, therefore,

often best for new products or perhaps to encourage sales of existing products that are slowing down.

Gift with purchase The “gift with purchase” is a very common promotional technique. It is also known as a “premium promotion” in that the customer gets something in addition to the main purchase. This type of promotion is widely used for subscription-based products (example, magazines), consumer luxuries (example, perfumes).

Competitions and prizes This is another popular promotion tool with many variants. Most competition and prize promotions are subject to legal restrictions.

Money refunds Here, a customer receives a money refund after submitting a proof of purchase to the manufacturer. These schemes are often viewed with some suspicion by customers particularly if the method of obtaining a refund looks unusual.

Frequent user/loyalty incentives Repeat purchases may be stimulated by frequent user incentives. Perhaps the best examples of this are the many frequent flyer or user schemes used by airlines, train companies, car hire companies etc.

Point-of-sale displays Research into customer buying behavior in retail stores suggests that a significant proportion of purchases results from promotions that customers see in the store. Attractive, informative and well-positioned point-of-sale displays are, therefore, very important part of the sales promotional activity in retail outlets.¹

Increasing the sales has always been a challenge for businesses. In this era of recession sales promotion has become even more important. By sales promotion actually the manufacturer aims to provide addition value to any of the members of the supply chain involved in the selling process and even at times to the end consumer. There have been number of schemes introduced in promotion of sales for the business. There are many hidden benefits for sales promotion,

¹ (<http://tutor2u.net/business/marketing/promotion-sales-promotion.asp>).

depending to whom the manufacturer is extending the promotions offered. Promotion offers made to the channel members of the distribution network or to the end user, each yield different results.

One of the most important reasons that results into declined sales is the better deployment of promotional tools by the competitors. We can have number of examples in which promotional tools made greater impact on sales of a company. There are times when these sales promotional tools can decide the fate of a company's product in the market. These promotional tools cannot only result into additional market share gained but also huge volumes of sale for that product. In fierce competitive environments, keeping an eye on the competitor's moves is very important. A move late in time can result into disastrous consequences. The producer or manufacturer should be well versed with the promotional tools that can bear fruit. Secondly, the manufacturer should have a proactive approach towards the changes made by competitor in offering the sales promotion. For this, sales force provides a very important, first hand and quick feedback on the proceedings of the market. A well motivated and dedicated sales team can do a lot better in providing the insights in contrast with one struggling to survive with minimal offered pays. Selecting the right member to provide the promotional tools is also very important. Each member of the distribution channel and the end customer, all are very important. There are cases in the history when a manufacturer avoided one and faced great losses. Selecting each member for the promotion depends on the market offerings by the other producers or manufacturers to channel members (King, 2010).

iii. Public Relations

According to Kotler (2004), public relation is building good relation with the company's various publics by obtaining favorable publicity, building up a good corporate image, and heading off unfavorable rumors, stories and events. Public relation is used to promote products, people, ideas, and activities, organizations and even nations. Public relation can have a strong impact on public awareness at a much lower cost than advertising can. The company does not pay for the space and time in the media.

Publicity

Publicity means getting exposure through the news media, utilizing announcements prepared by companies or the media of newsworthy stories or events. Publicity also can mean feature articles

in magazines. This coverage or “free advertising” can have spectacular results. Publicity takes many forms. Your company or a public relations firm prepares press releases. These brief, newsworthy stories highlight you or the company in a way that interests the public. The difficulty is getting the media to use the story. To have your press releases published regularly, you must have expertise in publicity as well as good connections with the news media.

It is rare to find a product or service that “speaks for itself” and doesn’t need promotion. As professional salespeople, we must recognize that and actively promote products as well as our service or our selves. Promotional strategies will not only get you in the door, they will bring the business to your door (Alessandra, undated).

Public relations or PR can become an important issue once you put yourself in a position of public visibility. Ordinary people do not have this kind of worries but for people such as celebrities, sports superstars, politicians and businessmen it is an important consideration. Public relation is an important factor to the success of certain careers. Movie stars and musicians need their fan base to patronize their movies and shows. Sports superstars need the support of their fan as well. Politicians need to look good in the public eye because a bad reputation can cause them to lose in the next election. Becoming an elected public official is a matter of public trust(Cortell,2009).

If your business has a bad reputation, it can affect sales. If you products and services are of poor quality, it will affect your sales. If your establishment has a poor relationship with your clientele, it will also affect your sales. Public relations can have a huge bearing on how your business would turn out. This is why major companies hire people just to handle the public relations for the company (Cortell,2009).

Good PR is essential for a successful business. This is especially true as your business gets bigger. The business community is a very social community so your relationship with the people around you matters a lot. Bad PR can affect the reputation of your business; your personal reputation and the capacity of your business to generate profit. Large companies hire PR people to do this. These people are hired to make sure that the business maintains good PR with its customers and the public. However, hiring people to handle public relations means you have to spend money. This is all good if you have a big business. You can hire a PR manager to take care

of things for you and having a PR manager leaves you free to do more important things (Cortwell, 2009).

iv. Personal Selling

With complete product knowledge the salesman is able to sell more. Earnings of the sales man usually depend on the sales volume. Thus with the increase in the sales volume and profit of the organization, the sales man is able to increase his own earnings. In short, a sales man with thorough product knowledge is able to sell more and thus earn more (Sahu and et.al.2003).

Personal selling is a powerful two-way communication. It allows an interactive relationship to be developed between buyer and seller in which the later can modify the information presented in response to the needs of the audience. Now a days, the sales force is becoming the center of the marketing universe for many organizations because of four reasons: relationship, revenues, service and implementation (Futrell, 1998).

The function of personal selling is to provide the specific inputs which advertising, or non-personal, can not offer at the individual level. It should be remembered that advertising and personal selling are complementary activities, and that their relative importance will vary depending up on the nature of the product and the buying behavior associated with it (Baker, 1996).

v. Direct Marketing

Direct marketing is a direct communication between a seller and an individual customer using a promotion method other than face-to-face personal selling. Some times direct promotion is coupled with direct distribution from a producer to consumers. How ever, many firms that use direct marketing promotion distribute their products through middle men. So the term direct marketing is primarily concerned with the promotion area, not place decision (Perreault, et al.2000).

2.2 External Factors Affecting Sales

External factors to a company are opportunities and threats of the marketing environment on which the company has little to no control. These Micro- and Macro-environmental forces

involve competition, natural, political- legal, economical, technological and socio-cultural forces. In the automotive industry these factors can play an important role and have an impact on sales. A company should examine the environment well and try to take advantage of emerging opportunities and minimize potential threats (Op.cit, 2005).

2.2.1 The Natural Environment

The deterioration of the natural environment is a major global concern. In many world cities air and water pollution have reached dangerous levels. There is a great concern about “green house gases” in the atmosphere due to the burning of fossil fuels; about the depletion of the ozone layer due to certain chemicals; and about growing shortages of water. New regulations hit certain industries very hard. Steel companies and public utilities have had to invest billions of dollars in pollution-control equipment and more environmentally friendly fuels. The auto industry has had to introduce expensive emission controls in cars. The soap industry has had to increase its products biodegradability. The major hope is that companies will adopt practices that will protect the natural environment. Marketers need to be aware of the threats and opportunities associated with four trends in the natural environment: the shortage of raw materials, especially water; the increased cost of energy; increased pollution levels; and the changing role of governments (Kotler, 2006).

2.2.2 Political -Legal Environment

For legal reasons companies will have standard terms and conditions of sales. Normally the back of an order form will specify these and it is now customary on any web -based transactions to tick the box to ensure that the customer has read these conditions. Terms basically state issues such as conditions of supply, delivery, payment and other aspects relating to the supply of goods and services (Donaldson, 2007).

Marketing decisions are strongly affected by developments in the political and legal environment. This environment is composed of laws, government agencies, and pressure group that influence and limit various organization and individuals. Some of these laws also create new opportunities for business. For example, mandatory recycling laws have given the recycling industry a major boost and spurred the creation of dozens of new companies making new products from recycled

materials. Two major trends deal with the increase in business legislation and the growth of special interest groups(Kotler,2006).

Increase in business legislation Business legislation has three main purposes: to protect companies from unfair competition, to protect consumer from unfair business practices, and to protect the interest of the society unbridled business behavior. A major purpose of business legislation and enforcement is to change business with the social costs created by their products or production process(Ibid,93).

Legislation affecting business has increased steadily over the years. The European commission has been active in establishing a new framework of laws covering competitive behavior, product standards, product liability, and commercial transactions for the 25 member nations of the European Union. The United States has many laws on its books covering such issues as competition, product safety and liability, fair trade and credit practices, and packing and labeling.

Several companies have gone further than the United States in passing strong consumer protection legislation. Norway bans several forms of sales promotion, trading stamps, contests, premiums –as in appropriate or “unfair” instruments for promoting products. Thailand requires food processors selling national brands also, so that low -income consumers can find economy brands. In India, food companies need special approval to launch brands that duplicate what already exists on the market, such as another cola drink or brand of rice(Ibid, 94).

Growth of special-interest groups The number and power of special interest groups have increased over the past three decades. Political Action Committees (PACS) lobby government officials and pressure business executives to pay more attention to consumers’ rights, senior citizen’s rights, women’s rights, minority rights, and gay rights(Ibid, 95).

It is known by the public that the usage of standard vehicles lead to a production of waste by the use of vehicles, reduction in resources, pollution of the air, the creation of the green house effect and destruction of the ozone layer, therefore producers have to take responsibility. In order to reduce the wastage by out of use vehicles, producers are now forced by legislation to recycle their products. This encouraged the usage of recyclable materials and ingredients. As the general public especially in Europe gets more environmentally conscious the demand for low fuel

consumption vehicles might rise. There is also a trend to alternative fuelled cars such as Bio diesel or hydrogen. However, environmentally friendly cars are still a separate market segment. A current issue is filters for diesel cars. As German producers do not offer that feature for all vehicles and consumers have to pay extra for it, people in the industry expect a drop in German car sales. As consumers have the choice how environmentally friendly the vehicle should be, producers will follow the developing trend. However, they are currently working on more fuel-efficient engines as alternative fuel engines do not have a great demand yet. Remaining a good image in this sector will be helpful being competitive in the market (Op.cit, 2005).

Political and legal forces can have an influence on a firm's decisions by determining the rules by which business can be conducted. They can involve constraints as well as support from the local government. In the automotive industry producers try to build up close relationships with politicians in order to monitor politician moods and have an indirect influence. For example, the European Union has close links to the automotive industry as it is a huge employer on the continent. Political issues and governmental decisions affect the development of the local economy as for example the increase of oil prices during the Iraq war and the drop of the dollar compared to other currencies, they can also have an influence on sales in the automotive industry (Ibid, 46).

2.2.3 The Economic Environment

According to Kotler (2006), markets require purchasing power as well as people. The available purchasing in an economy depends on current income, prices, savings, debt, and credit availability. Marketers must pay careful attention to trends affecting purchasing power because they can have a strong impact on business, especially for companies whose products are geared to high income and price-sensitive consumers.

Through its effects on supply and demand, the economic environment can have a critical impact on the success of companies. Especially in the automotive industry there seems to be a close connection between the actual performance of the economy and vehicle sales. Generally, an economy is measured by economic growth (GDP-Growth) and unemployment statistics. The greater the GDP the more value is produced in an economy. Low unemployment rates involve a better spending power of the population (Ibid, 46).

People and organization can not buy goods and service unless they have the money. The total population demand for a product with in a given country depends on that country's economic condition-the amount of growth, the unemployment rate, and the level of inflation. These factors must be considered when analyzing market opportunities and developing sales forecasts, keep in mind, though, that global economic condition also influence many firms' ability to earn profit.

A secondary aspect of the economic environment is the existing distribution structure in an industry. This includes the number, types and availability of whole salvers, retailers and other intermediary firms might use to distribute its product. Much of a firm's personal selling effort may be directed to personal such intermediaries to stock and provide marketing support for the company's products (Churchill, 2003).

Economic factors encompass such areas as the boom/ bust cycle, and the growth in unemployment in some parts of the country as a result of closing of traditional industries. Macro economic factors deal with the management of demand in the economy; the main mechanisms governments use for this are interest rate controls, taxation policy, and government expenditure. If the government increases expenditure (or reduces taxation), there will be more money in the economy and demand will rise; if taxation is increased (or expenditure cut), there will be less money for consumers to spend, so demand will shrink. Rises in interest rates tends to reduce demand; as home loans become more expensive and credit card charges rise (Blythe, 2001).

The downward economic trend that has forced consumers to alter their shopping habits will have lasting effects. The trend is toward more careful spending and less borrowing and a reevaluation of life styles and choices. Those with money use it wisely, and those whose businesses are faltering are laying off workers simply to stay in business (Emoore, undated).

A bleak economy affects sales in all departments but more so in superfluous items that are bought on whim rather than on real needs. Manufacturers, middle men, and retailers are all involved when there is less demand for what is being made and sold. People who buy the goods and services that make up the business community, in one sense, control the output of what is produced. If they insist on better quality merchandise that last longer, then this is what will be offered. Yet there will be others that will settle for something less because that is all they can afford (Emoore, undated).

The economy is in a constant state of growth and turmoil, where it seems as though one minute things are fine, and the next minute doom lurks around the corner. There are many mitigating factors that affect retail sales in one manner or another. Some of the major influences on retail sales include employment rates, population growth, technology, marketing strategies and tourism (Coles, undated).

Many economic factors affect retail sales, and they can do so at any point in time. The nature of business is that many are unsuccessful, sometimes through no fault of their own. The economy creates certain situations that are not easily remedied, and therefore retail sales may plummet (Coles, undated).

The economy fluctuates so frequently that it is hard for businesses to determine their retail sales projections for coming fiscal years. As the economy goes up and down, retail sales are affected in a similar fashion. The big retail chains tend to monopolize the market, and this has a lasting impression upon smaller stores. The larger retail chains offer products at reduced rates, which is an economic factor that greatly contributes to impacting upon retail sales from other outlets (Coles, undated).

2.2.4. The Technological Environment

New materials, products, and processes emerge at a seemingly ever increasing rate. Product life cycles are reduced in length, affecting the way goods and services are manufactured, distributed, and promoted. Technology also brings changes to the role and function of selling (Donaldson, 2007).

Technology also influences sales strategies. Of course the impact of technology is obvious with companies like Hewlett-Packard. But in the generally low-tech world of propane sales, Blue Rhino is one company that has used technology to capture significant market share. By improving the process filling and storing tanks, the company has begun to dominate a market that was largely populated by small, independent dealers. The most obvious impact of the technical environment of marketing is in providing opportunities for product development. Technical advance has been occurring at rapidly increasing rate percentage of total sales in many industries. For example, historically at 3M more than half of the current sales volume is generated by

products that were not in existence five years ago. Advancing technology also affects management in more direct ways. Improvement in transportation, communication, and data processing are changing the way sales territories are defined, sales reps are deployed, and sales performance is evaluated and controlled in many companies (Churchill, 2003).

Technological advances in recent years have been rapid and have affected almost all areas of life. Whole new industries have appeared ; for example ,satellite TV stations, cable networks, the Internet, CD recordings and virtual reality, and computer-aided design systems. All of these industries were unknown even in 1985. It seems likely that technological change will continue to increase, and the more new industries will appear in the future. The corollary, of course, is that some old industries will disappear, or at least will face competition from entirely unexpected conditions (Blythe, 2001).

Technology is beginning to be a major player in the retail sales industry. The current trend of shopping online has driven the local retail stores into a crisis. Online shopping is a more viable option for many companies because they can eliminate some middle men, ride themselves of marketing campaigns, and deliver a product in a manner that many people appreciate due to their hectic lives (Coles, undated).

2.2.5 Socio-Cultural Effects and Consumer Behavior

Social/ cultural forces that can have implications for European vehicle producers are changes in the demographic profile of the population, cultural differences, social responsibility and the influence of consumer movement.

Consumer behavior defines the process that occurs when purchasing a product or a service. As both have an impact on marketing decisions and also have some relationship (Op.cit, 2005).

i. Age distribution

There is a major demographic change in Europe, which involves the rising proportion of people over 45 and the decline of the younger age group that will continue to affect demand. According to a research made by Auto Bild, the industry could increase revenues by up to 5percent when focusing on the growing older population with more disposable income available. However,

focusing on the young consumers, which will the older customers of tomorrow and can develop a strong affinity to a certain brand during their lifetime might also be a good strategy. Producers should develop segments that satisfy different age groups' needs (Ibid, 50).

ii. Family plans

Families are more sensible when it comes to the purchase vehicles. Often budget plays an important role and practical features like safety, space availability and consumption. This is a special sector that is covered by most producers which often includes hatch backs and vans in their product portfolios. Improvements in practical features as well as in price and quality can create a competitive edge in this sector (Ibid, 52).

iii. Consumer Behavior/ Spending culture / Budget

Understanding consumer behavior, their spending culture and budget is crucial in industry to be able to offer what the consumers' wants or needs. It involves knowledge about who is important in the buying process, how they buy, where they buy, when they buy, what are their choice criteria. Also information on the decision making process can be helpful. Further two-thirds of European sales and three-quarters in the UK are used cars. Finally because of huge depreciation of vehicles, a new car has after 4 years or 60,000 kilometers of utilization depreciation by about 50 percent or more; private consumers generally regard them as a bad investment. Overall it can be said that corporate customers are of greater importance to producers as they buy the largest amount of vehicles. However, profit margins in the private sector are larger because discounts are lower. The bad image of an investment in new vehicles is damaging and the over saturated markets encourage purchasing of used vehicles as they drop further in price. These factors should be taken in account when trying to improve sales (Ibid, 52).

iv. Social Expectations

Social expectations can be described as demands perceived by the society. It may be important to some consumers, what other people think about their vehicle. A good brand image in certain segments could therefore be helpful in capturing those sales. Producers working on and improving their brands image could therefore realize positive market effects (Ibid, 53).

2.2.6 Competition

Another critical economic variable is the amount of competition in the firm's industry-both the number of competing firms and their relative strengths in the market place. Ideally, a company's marketing and sales programs should be designed to gain a differential advantage over competitors. For example, rather than trying to compete with the low process of foreign competition -such as Komatsu- Caterpillar has been successful in the heavy construction equality and excellent service, while charging prices as much as 20 percent higher than its competitors. Reports that detail competitive activity, such as analysis of lost sales, can summarize competitive activity for sales and marketing management (Churchill, 2003).

CHAPTER III: MATERIALS AND METHODS

3.1 Profile of Mesfin Industrial Engineering PLC

3.1.1 Background of Mesfin Industrial Engineering PLC

Mesfin Industrial Engineering (MIE) PLC was established in 1993 as the engineering way of the endowment fund for the rehabilitation of Tigray (EFFORT) companies. It is located at the northern part of Ethiopia, in the Tigray provincial capital, Mekelle which is far around 780 km from Addis Ababa. Its manufacturing plant covers a total area of 120,000m². It was initially founded with a paid capital of Br. 7 million. Starting its activity by giving maintenance services of vehicles & small-scale shop floor duties, pertaining to its long time vision & implementation strategies, it is now the leading equipment manufacturing and industrial engineering company in the East Africa. It designs and installs equipments and components for the *energy, mining, manufacturing, construction, transportation, and agricultural sectors*. A wide range of products is manufactured at its industrial complex, which is fully equipped with the state -of –the- art machinery. Within its industrial complex, MIE has the full capacity to manufacture and erect hydraulic power components such as penstocks, steel liners, gate liners, gates, turbine elements & transmission. Its material testing laboratory provides radiographic, ultrasonic & other tests.

Currently MIE has 846 total number of employees. Out of this number 520 are permanent and 326 workers of different qualifications are also employed by the company as contract and sub-contract employees. It has a current capital of 228million.

3.1.2 Scope of MIE

MIE in the Transport Industry

MIE designs and manufactures vehicle bodies, trailers, high and low-bed semi trailers as well. MIE has a capacity of manufacturing over 1500 trailers and semi trailers per annum.

MIE in the Energy Sector

MIE has a full capacity of manufacturing and erecting hydroelectric components. It has a unique rolling machine in East Africa that produces very large fuel storage tanks.

MIE in the Industrial Project

With the support of CAD and CAM software MIE designs, manufactures and erects industrial components for cement, textile, brewery, food and sugar industry. Moreover, MIE manufactures multi-purpose industrial cranes and boilers.

MIE in the Construction Industry

MIE manufactures a wide range of mobile and stationary crushing plants for the domestic and export market. It also manufactures concrete batching plants, trans-mixers, tippers and other similar construction equipments. Furthermore it manufactures steel bridge and constructs steel buildings.

3.1.3 Vision, Mission, Values, and Sources of Competitive Advantage for MIE

Vision: To be a fully-fledged ‘best in class’ engineering company in the electro-mechanical and manufacturing sector.

Mission: Creating superior value to owners, customers and employees and be a pioneer in the industrialization of the nation.

Values:

- Executing all works in a genuine, transparent and accountable manner.
- Adding value, handle company property with maximum care and ensure efficient utilization of resources.
- Giving full customer satisfaction and strive to exceed their expectations.
- Working hard to be best in class and lead the way for quality.
- Building sustainable, closer, long-lasting relationship with customers and partners.
- Always giving maximum respect to employees, customers and partners.
- Ensuring employment; promotion and reward are based on merit, competence and performance.

- As the employees are the company's main sources of competitive advantage, the company therefore will create opportunities for continuous employee development and empowerment.
- Developing brotherhood among the employees.
- Always ensuring safe working conditions to all employees.
- Providing necessary support to employees as much as possible.
- Always observing the law.

Objectives: The business purposes of Mesfin Industrial Engineering PLC are:

- To design, manufacture, and erect industrial components for cement, textile, brewery, food industry, storage tanks and so on.
- To design and manufacture vehicle bodies, trailers as well as high and low bed semi-trailers .More over, heavy duty trucks are assembled.
- To provide service of renting of vehicles and machinery.
- To provide maintenance of vehicles.

Where as the Motto of MIE is “MIE your Business Partner”.

Sources of Competitive Advantage

- Professional, highly skilled and committed work force
- Excellent reputation
- Partner of first choice for government and reputed international companies
- Acquirement of up-to-date equipment and production machines

3.1.4 Products of MIE

Generally MIE PLC products are the following:

I. The Product Mixes of the Company are:

- 3-axle draw bar dry cargo truck-trailer
- 3-axle dry cargo semi-trailer
- 2-axle dry cargo semi-trailer
- Low bed-60 ton
- 3-axle draw fuel cargo truck trailer
- 3-axle fuel cargo semi- trailer
- Dump Truck-Afro & Miller type (10m3, 14m3)
- Antenna mast (up to 60 meter height)
- Underground and over ground tanker
- Crusher (25-100 t/h)
- Petroleum Reservoirs tanks (5000m3-5600m3)
- Overhead crane (10t, 5t, 2t)
- Bus body (40+1, 60+1 seat)

II. Services Rendered by MIE

i. Electromechanical erection services

- Supply and erection of pre engineering buildings & towers.
- Installation of machines and equipment.
- Erection of petroleum reservoir tanks capacity of 5,600m3 with electrical and instrumentation.
- Erection and installation of HVAC system.
- Installation of digital congress network, audiovisual system, stage lighting and machinery installation.

ii. Renting of vehicles & machinery services

- Afro-dump truck-10m3 capacities
- Crane 50-ton capacity

iii. Maintenance of vehicle services

- Light vehicle maintenance-Toyota, Nissan
- Heavy vehicle maintenance-Afro Truck

3.1.5 Organizational Structure

The General Manager of MIE PLC is appointed by the chairman of the board of Directors. Hierarchically, the General Manager is accountable to the Chairman of the board or corporate management. Generally, the company has sixteen (16) departments that are under the supervision of different positions. There are eight (8) different activities that are directly reported to the general manager; namely;

- DGM Operations & Engineering
- DGM Projects
- DGM Marketing
- DGM Services
- MR for QMS and quality assurance
- Internal audit service
- Legal service
- Planning & Information Technology Department Manager

DGM represents- Deputy General Managers that mainly deal with conceptual activities to support the General Manager. Within each DGM there are various departments.

The departments under DGM Operations & Engineering are;

- Design & Technology
- Manufacturing
- Electro-Mechanical Work
- Industrial Maintenance
- Equipment Maintenance & Repair

The departments under DGM marketing are;

-Public Relations Service

-Sales & promotion

-Business development

The departments under DGM services are;

-Finance

-Supply

-Human Resource

3.1.6 Manufacturing Flow of MIE's Products

There are three major manufacturing processes in the production of metal structure. These are metal preparation, fabrication, and finishing & painting processes.

- I. Metal preparation and manufacturing flow
- II. Fabrication and manufacturing flow
- III. Finishing and Painting Manufacturing flow

3.1.7 Quality Certificate of MIE

The leading engineering company in Ethiopia, MIE has got ISO 9001:2000 quality management system certificate No, 512406 from BSI for the following scope.

- ❖ Design, manufacture and supply and service of Low Bed /High Bed Dry/Liquid Trailers.
- ❖ Design, manufacture, supply and erection of petroleum liquid Reservoirs (including Electrical /instrumentation system).
- ❖ Supply and Erection of HVAC Systems.
- ❖ Manufacture and supply of steel fabricated products for industrial application; and vehicle equipment maintenance and renting.

3.2 Research Methodology

3.2.1 Research Design and Area Description

Mekelle which is the capital city of the Tigray regional state is one of the largest regional cities in Ethiopia. According to Tigray investment office, Mekelle is located in the northern part of Ethiopia at a distance of 778 km from Addis Ababa. It is situated at an average altitude of 2200 meters above sea level and its geographic coordinates are 39⁰ 28¹ east altitude and 13⁰ 32¹ longitude. The eastern side, Enda Eyesus ridges are the highest peaks of the city.

The major land form of the city territory can be classified into four categories namely: flat to gently sloping, gently sloping to rolling, sloping to moderately steep and steeply to very steeply sloping type. According to the report of the 2007 population and housing census, the city has a total population of 215,546 of which 104,758 and 110,788 are males and females respectively (FDRE population census commission, 2008)

This study was conducted on Mesfin Industrial Engineering PLC. The study is descriptive type which has enabled the researcher to assess and describe the internal and external environmental factors that affect the sales volume of the company. The researcher considered the eight year sales figures of the company starting from 2002 to 2009 for the purpose of this study. These eight consecutive years help to have a clear picture about the company's sales trend from year to year. In addition to this, for quantity of product sold and planned sales, a five year data of the company has been used. This type of research was employed because it is used to identify and obtain information on the characteristics of a particular issue.

3.2.2 Data Sources and Data Gathering Techniques

For undertaking this study both primary and secondary data have been used .The primary data have been obtained from customers, marketing and sales department, and general manager of the company. Further more, primary data were collected because secondary data were not adequate to answer the research problem.

Hence to carry out this study, the researcher used both qualitative and quantitative data. In collecting primary data both structured personal interview and questionnaire were employed. The questions in the structured personal interview and questionnaire have included both open-ended

and closed-ended questions. The open-ended question helped the researcher to obtain information about the feelings and intentions of respondents. Further more, structured interview was made with the sales division manager and general manager of the company.

On the other hand, secondary data have been collected from the company's unpublished documents such as annual reports made by the company on production, purchasing, sales and finance at different times.

3.2.3 Method of Sampling

A total of 25 companies found in Mekelle city were selected as a sample for the study. However, 22 out of the total selected sample were responded to the questionnaire. The company has about 100 customers composed of individuals and organizations. For the purpose of this study, 25 percent of the total was taken as a sample based on a simple percentage method. The researcher has employed purposive sampling method to select the sample. The samples selected were companies and the selection was made purposely based on the assumption that these companies could provide adequate and meaningful information for this study.

3.2.4 Data Analysis

In analyzing the primary and secondary data collected, different methods of simple statistical tools like tabulation, pie charts, graphs and percentages have been used.

3.2.5 Organization of the Paper

This project has five chapters. The first chapter contains the introduction, statement of the problem, objective of the study, significance of the study, scope and limitation of the study. The second chapter deals with review of literature. The third chapter deals with the methodology and profile of the company. The fourth chapter deals with results and discussion of the data. While the last chapter, chapter five concludes the results obtained from the research and provides appropriate recommendations.

CHAPTER IV: RESULTS AND DISCUSSIONS

In this section of the project, the data collected is analyzed and presented in simple and understandable manner. For simplicity and clarity purpose, both the results and discussions are presented side by side. As explained in the methodology part, questionnaire was distributed to customers and structured interview was made with the sales division manager and the general manager of the company. Generally speaking, the target customers of Mesfin Industrial Engineering PLC are transportation companies, manufacturing companies, trading companies, service companies, and agricultural sectors.

Finally, in undertaking this study, the factors that are supposed to affect the sales volume of the company are given due attention.

4.1 Factors Affecting Sales Volume

The existing theoretical literatures have shown that there are many internal and external environmental factors that affect sales volume of a company. This project tries to assess the internal and external environmental factors that affect the sales volume of Mesfin Industrial Engineering PLC. In this chapter, internal factors like price, product quality, place(distribution), and promotion mix elements and also external factors like natural, economical, technological, political-legal and competition have been discussed .

According to Ato Sibhat Gebregiorgis (2010), the sales division manager of MIE PLC, the company has many customers throughout the country and most of them are concentrated around major cities. To mention a few, Trans Ethiopia Share Company, Messebo Cement Factory, Sur Construction, REST, MA Garment, Dashen Steel Factory, Net Transport are some of the major customers found in Mekelle and also there are other private limited companies that buy from the company. In addition to this, all EFFORT companies and some other private limited companies found in the region are also major customers of the company. Tikur Abay Transport, Shebelle transport, Amiche transport, National Motors, Akida, National Petroleum Reservoir Depose Association (NPRDA) are some of the customers found out side the Tigray region. The company has no customer out side Ethiopia since it has not started exporting to other countries.

4.1.1 Internal Environmental Factors

4.1.1.1 Price

According to Monroe (2003), price is the only marketing strategy variable that directly generates income. The author also said that all other variables in the marketing mix generate costs: advertising and promotion, product development, selling effort, distribution, packaging –all involve expenditures.

In the center of every business organization appears the issue of product prices. Businesses are established to achieve, among other things, a certain level of profit to ensure the survival and growth of the company as well as providing the owners with a return on their investment. Profit can be obtained only if the revenue, which is determined by the price and quantity of products sold, is greater than the cost of producing and supplying the product. In the contemporary business environment, individual companies have no control over the level of prices of their products. This is especially true when the product in question is abundant and supplied in the market by many companies (Getinet, 2007).

According to the sales division manager, the company adopts cost of production as a base for deciding the price of products. More specifically, the company is currently using mark up pricing that is products are sold at a price that earns some margin after covering costs incurred in producing and selling the products. However, cost based method does not allow the firm to consider the current demand, perceived value, and competition. This implies that the company is not considering the existing nature of competition and demand for its products. When customers get an opportunity to get similar products at a relatively low price from other firms, it may lead to loss of customers and ultimately loss of sales. The company also does not consider the price set by other competitors. For a firm to compete effectively and to strengthen its position in its respective industry, it needs to set a competitive price and even some times to charge a relatively low price so as to be profitable in the long run.

According to the sales division manager of the company, the price of the products is high relative to other competitors. According to him, the reason is that most of the raw materials and component parts used by the companies are imported from abroad. The unavailability of adequate local raw material supply leads the company to import raw materials from Europe and other

Asian countries. The cost associated with transportation, the tariff levied on imported items and other costs like cost of production forced the company to charge higher price.

The other reason that the sales division manager pointed out for charging higher price is that the product is quality product and its price says something about its quality. However, customer's perception of quality may vary. Sometimes, a product with a high price is not necessarily quality and this is one element of quality misconception.

With regard to price of the product, 15 (68.2 %) of the respondents replied that the price of the product is not competitive or fair where as the remaining 7(31.8 %) replied that the price is affordable relative to other competitors.

Table: 4.1 Customer's response to product's price fairness

Question	Response	Frequency	Percentage (%)
Do you think that the price is affordable or competitive relative to other competitors?	Yes	15	68.2
	No	7	31.8
	Total	22	100

Source: Own Survey, 2010

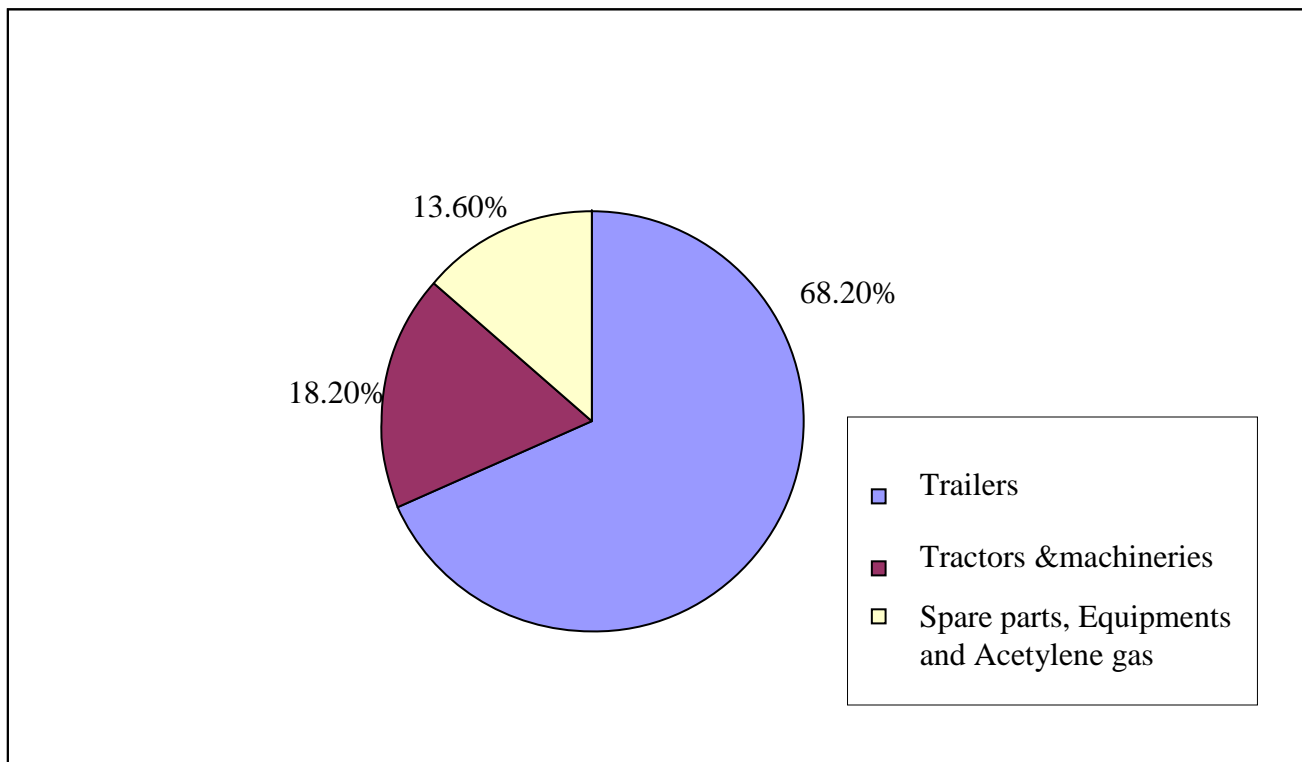
From the above data, it can be inferred that the price that the company is charging for its product is high and this can have an impact on the company's competitiveness and can put it at a competitive disadvantage unless it undertakes further cost reduction strategies.

4.1.1.2 Product Quality

Regarding the products that customers buy from the company, 15(68.2%) of them reported that they buy different types of trailers, 4(18.2 %) of them reported that they buy tractors & machineries, and the remaining 3(13.6 %) reported that they buy spare parts, acetylene gas, and

equipments. From this figure, it can be inferred that majority of the customers buy trailer from the company. This implies that the trailer has good demand in the market relative to other products produced by the company.

Figure 4.1: Types of products customers buy



Source: Own Survey, 2010

Table: 4.2 Customers' rating to product quality dimensions

Quality Dimensions	Rating Factors										Total in Number and (%)
	Very poor in		Poor in		Average in		Good in		Very good in		
	No	(%)	No	%	No	%	No	%	No	%	
Performance					9	40.9	13	59.1			22(100%)
Reliability			3	13.6			14	63.7	5	22.7	22(100%)
Durability			2	9.1	17	77.3	3	13.6			22(100%)
Conformance	3	13.6	11	50			8	36.4			22(100%)
Serviceability							19	86.4	3	13.6	22(100%)
Features			7	31.8			15	68.2			22(100%)

Source: Own Survey, 2010

Performance

According to Kotler (2006), performance quality is the level at which the product's primary characteristics operate.

As can be seen from table 4.1, 13(59.1 %) of the respondents confirmed that the product has good performance and 9(40.9 %) of them rated the company's product performance as average. From this figure, it can be inferred that the product that the company produces has an average performance.

Reliability

According to Guiltinan (1997), reliability is the probability of a product failure with in a given time frame.

Regarding reliability of the product, 14(63.7 %) of the respondents revealed that the product has good reliability, 5(22.7 %) of them reported very good, and the remaining 3(13.6 %) reported poor. Taking these data in to consideration, the reliability of the product is generally good and this implies that the product's performance is consistent.

Durability

Kotler (2006), defined durability as a measure of the product's expected operating life under natural or stressful conditions.

In relation to durability of the product, 17(77.3 %) of the respondents reported that the product's durability is average, 3(13.6%) of them reported that it is good, and the remaining 2(9.1 %) reported that it is poor. From this figure, it can be inferred that the company still has to do more to improve the durability of the product that it produces. Under normal circumstance an industrial product is expected to serve its normal function for a relatively longer period of time and customers will be exposed to unnecessary costs if the product is not more durable.

Conformance

According to Kotler (2006), buyers expect products that have high conformance quality, which is the degree to which all the produced units are identical and meet the promised specifications.

Regarding conformance of the company's product, 11(50 %) of the customers surveyed revealed that it is poor, 8(36.4 %) of them replied that it is good, and the remaining 3(13.6 %) replied that the company's product conformance is very poor. The customers further pointed out that the company is not doing according to their specification but according to specification provided by it. This implies that the company could not produce products according to customers' specifications and could not satisfy the needs and wants of its customers. However, for most industrial products because of the importance given to the technical aspect of the products, purchases are made according to the specification evolved by the buyers (customers).

Serviceability

Kotler(2006), defined reliability as a measure of the ease of fixing a product when it malfunctions or fails with in a specified time period.

In connection with the above quality dimension, 19(86.4%) of the respondents replied that it is good, the remaining 3 (13.6 %) replied that it is very good. From these data, it can be inferred that the company's product has good serviceability. This implies that it is not difficult for customers to get repair and maintenance if the products fail to perform its function properly or if it is damaged it can be easily repaired.

Features

According to Guiltinan (1997), features are the special supplemental characteristics that heighten the use experience such as optional seat-cover materials in an automobile.

With regard to features of the product, 15(68.2 %) of the respondents rated the product as good, and the remaining 7(31.8%) of them rated it as poor. According to the response of the majority, it can be inferred that the product's feature is generally good.

After Sale Service Support

Follow- up and maintenance service are necessary if the sales person wants to ensure customer satisfaction and repeat business. Immediately after closing, the sales person should cement any necessary details on delivery time, purchase terms, and other matters that are important to the customer. The sales person should follow -up call when the initial order is received to make sure there is proper installation, instruction, and servicing (Kotler, 2006).

According to the sales division manager, the company provides customers with repair and maintenance, warranty, training as an after sale service support. In relation to this issue, 17(77.3%) of the customers confirmed that the after sale service provided by the company is not enough. On the other hand, 5(22.7%) replied that the after sale service provided by the company is relatively enough as compared to other competitors. In this case, the company has not been providing enough after sale service support. Customers will keep up buying products when they

have confidence on the after sales services provided. The products sold by the company are capital goods and customers need adequate after sale services.

Table 4.3: Customers' Response to Adequacy of the After Sale Service/

Question	Response	Frequency	Percentage (%)
Do you think that the after sale service (like warranty, repair & maintenance, installation etc) provided by the company is enough?	Yes	17	77.3
	No	5	22.7
	Total	22	100

Source: Own Survey, 2010

In relation to warranty, 19 (86.4%) of the respondents reported that they get warranty for one year. On the other hand, about 3(13.6%) of the respondents reported that the company has never given them warranty when they buy products. From this figure, it can be said that the company gives warranty to most of the customers.

According to the sales division manager, the company offers a one year warranty for all standardized products. If there is any defect up on the products produced by the company, customers can get services like repair & maintenance and spare parts to replace the damaged or defective product with in the one year period only. However, any defect up on tyre or any other component, for example, which is not produced/supplied by the company, will not be liable to get warranty.

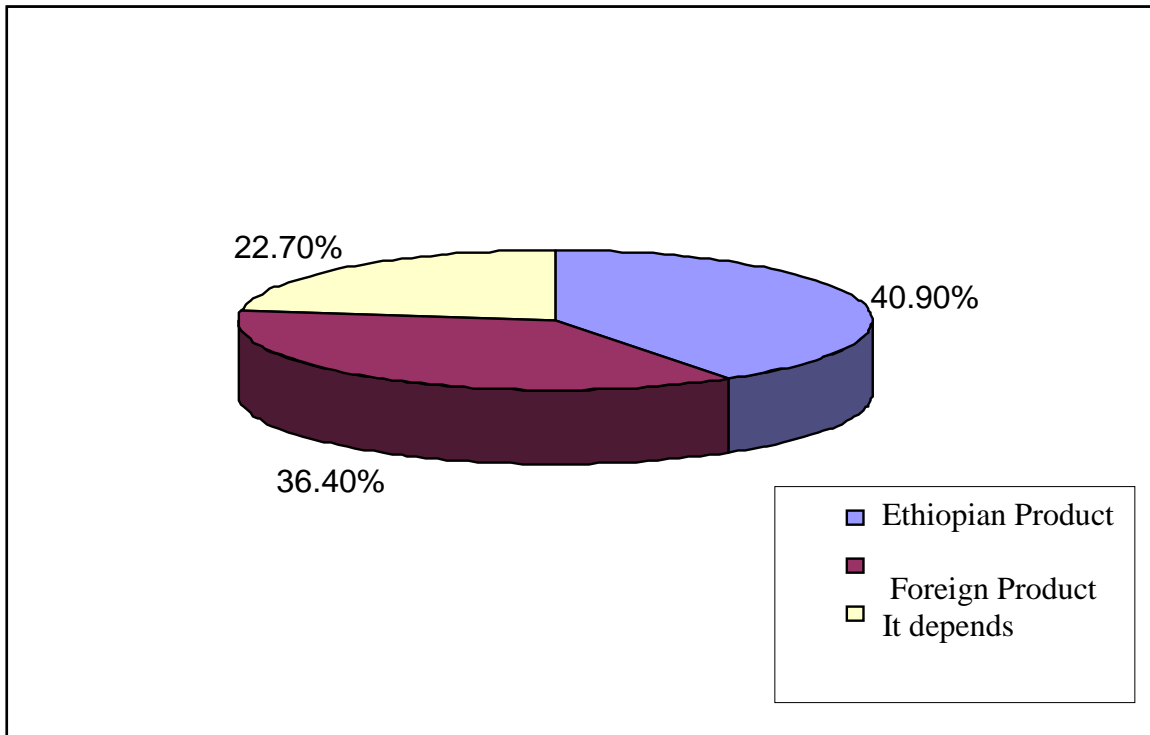
Table 4.4: Customers' response to Warranty

Question	Response	Frequency	Percentage (%)
Do you get any warranty for the product you purchase?	Yes	19	86.4
	No	3	13.6
	Total	22	100

Source: Own Survey, 2010

Regarding customer's preference for product origin, 5(22.7%) of the respondents revealed that it depends on the type of the product they need to buy and they pointed out that some times they prefer to buy an Ethiopian product and at other times they prefer a product produced abroad. However, 9(40.9%) of the respondents revealed that they prefer to buy a product produced in abroad and their reason is that product produced in abroad is quality product. On the other hand, the remaining 8(36.4%) revealed that they prefer to buy an Ethiopian product and they mentioned that it is when they buy an Ethiopian product that they can get different types of after sale support services like warranty, repair & maintenance services nearby. From this figure, it can be inferred that the perception that a product produced in abroad is quality product is still in the minds of the majority of the customers (please see figure 4.2).

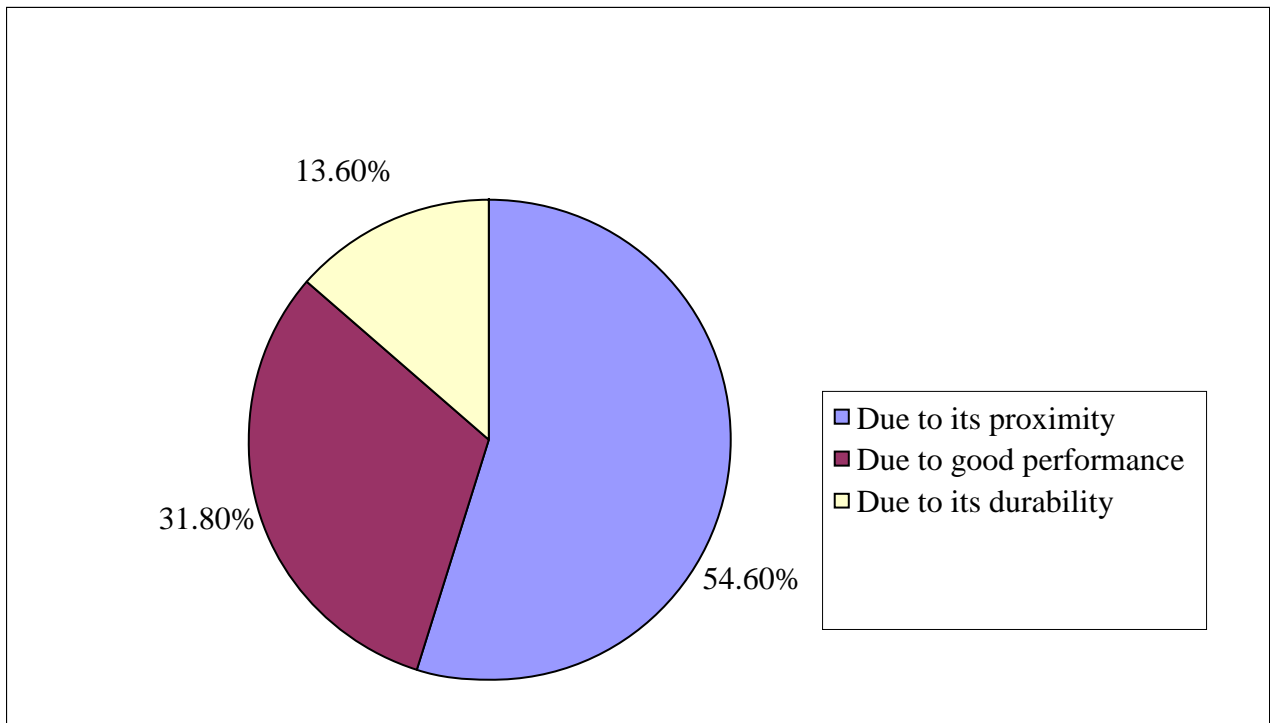
Figure 4.2: Customers' reply to Product's Origin Preference



Source: Own survey, 2010

With respect to customers' preference of the company's product, 7(31.8%) of them replied that they prefer the company's product due to its good performance, 12(54.6%) of the respondents replied that they prefer to buy it due to its readily availability (proximity), and the remaining 3(13.6%) replied that they prefer it due to its durability. From this figure, it can be inferred that more than half of the customers preferred the product due to its readily availability or proximity. This is to mean that customers buy the company's product because they get it nearby and also they have easy access to it (please see figure4.3).

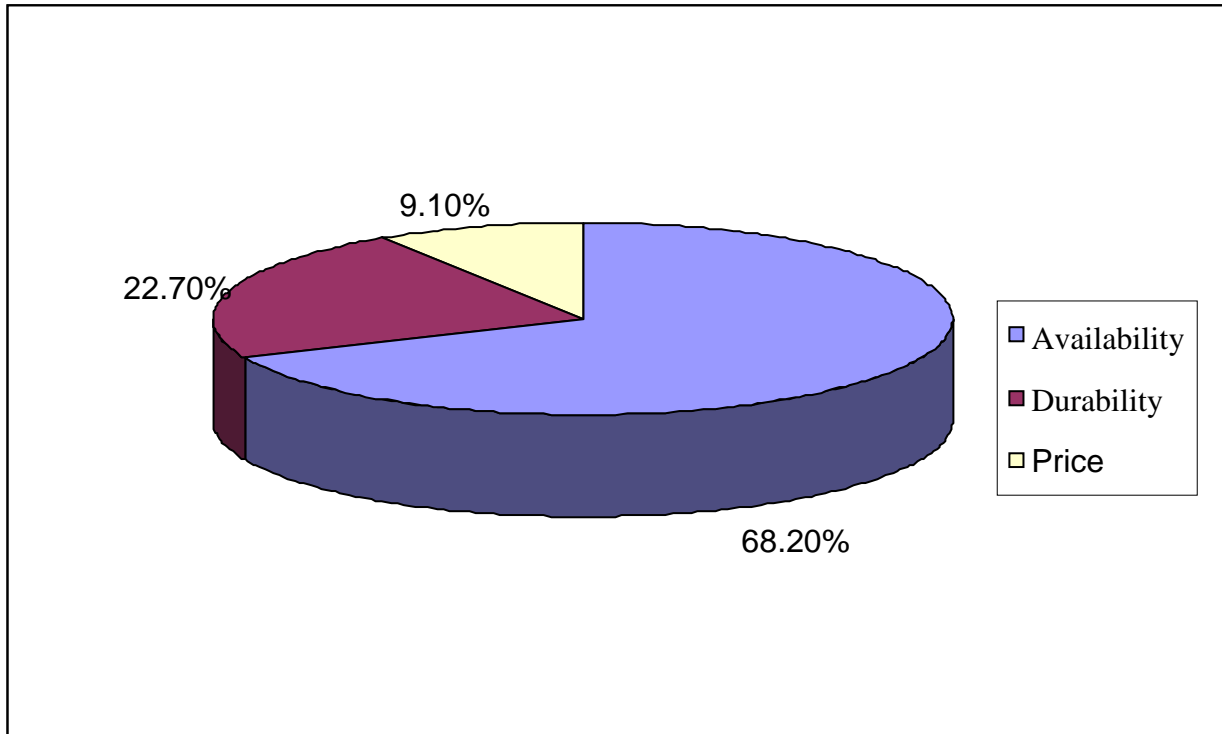
Figure 4.3: A pie chart showing why Customers Prefer the Product



Source: Own survey, 2010

Regarding the problems that customers face in relation to spare parts to vehicles, 15 (68.2%) reported that they have problems related with availability, 5(22.7%) reported that they have problems related with the durability, and the remaining 2(9.1%) reported that they face problems related with the price of the spare parts and they pointed out that the price of spare parts is not competitive. From these data, it can be inferred that availability of spare parts is the major problem that customers face that is customers can not get spare parts easily. This could hamper production or service delivery on the part of customers when the item in question is not easily accessible (please see figure 4.4).

Figure 4.4: A Pie Chart showing Customer's Problem in relation to spare part



Source: Own Survey, 2010

Sales Credit

According to the sales division manager, the company currently does not provide its customers with credit. Most of the products produced by the company are capital goods which demand huge amount of money to acquire and customers need credit to own and use the product. Before five years the company started to give credit to customers but there was much bad debt. The customers could not repay for the loan /credit they took it from the company and the company stopped giving credit to customers.

4.1.1.3 Place (Distribution)

Place is concerned with various methods of transporting and storing goods, and then making them available for the customer. Getting the right product to the right place at the right time involves the distribution system. The choice of distribution method will depend on a variety of circumstances. It will be more convenient for some manufacturers to sell to wholesalers who then sell to retailers, while others will prefer to sell directly to retailers or customers.¹

In connection with delivery, 16(72.7%) of the respondents revealed that the company does not deliver them the product they ordered at the time they need it, but the rest 6(27.3%) replied that the company delivers them the product they order at the right time. From this figure, it can be said that the delivery status of the company is poor and it could not consider the importance of timely delivery to customers. This is because customers may need the product urgently to carry out their normal operation and without it there could be no production of good or service at all.

Table 4.5: Customers' reply to Delivery

Question	Response	Frequency	Percentage in (%)
Does the company deliver the product you order at the right time?	Yes	16	72.7
	No	6	27.3
	Total	22	100

Source: Own Survey, 2010

The company currently has only two sales branches. One is in Addis Ababa city and the second is in Mekelle city where the company is located. It has no any sales agents or distributors through

¹ ([http://www.thetimes100.co.uk/theory/theory-marketing-mix\(price-place-promotion-product\)-243.php](http://www.thetimes100.co.uk/theory/theory-marketing-mix(price-place-promotion-product)-243.php)).

out the country. This implies that the company has limited its distribution only to few areas. According to the sales division manager, the company sells its products directly to final customers and there are no intermediaries between the company and the final customer. This implies that the company adopts a direct distribution channel.

4.1.1.4 Promotion Mix

The marketing communications or promotion mix is the specific mix of advertising, personal selling, sales promotion, public relations, and direct marketing that a company uses to its marketing objectives.

Advertising

Advertising is rarely used for promoting industrial products. The complexity of most industrial products coupled with buyers' expectations and unique information needs requires personal contact. Not only is industrial advertising is an effective means of reaching inaccessible or unknown buying influencers it also creates awareness, enhance the effectiveness of sales call and increases the over all efficiency of selling effort .

According to the reply of the sales division manager, the company promotes its products via Advertising. The reason for the choice of this media is that most of its customers are concentrated around major cities and the message can reach them easily. The company advertises for the newly introduced products through TV to create awareness about the product and to reach in accessible places. More specifically, the company has been using Ethiopian Television to promote products like Gelley car and Sonalika tractors. However, according to the sales division manager, the company uses TV advertising when it introduces new products and its objective is to create awareness of customers about the product. The problem with TV advertising is that it is rarely used by the company. This implies that it is not sufficient for the company's product to be heard above the noise in the market. In addition to TV advertising, the company uses print advertising or print media like magazines(selamta), News letters (Mesfin News Letters), and News Papers (Weyin) to promote its products. However, the circulation of Mesfin News Letters and Weyin newspaper is less and can not reach to all potential customers. In this case, the role of personal selling as a promotion tool has been ignored or it has been given little attention which is the most

preferred one particularly for industrial products. When ever customers want to buy an industrial product they need detail information on it due its complexity and technical nature and as the product will be used for a relatively longer period of time.

Personal Selling

Personal selling composes the use of presentations in order to convey the benefits of the company's products and services. As a general rule, goods that are new, technically complex, and/or expensive require more personal selling effort. It is obvious that the company's products are more technically complex and expensive. Consequently, using personal selling as promotional mix will have more benefits for the company. Despite this fact, personal selling as a promotion tool is not widely used and practiced by the company.

The educational level and background of the sales persons of the company was also assessed in trying to show its impact on sales performance. The sales persons who are currently working in the company are graduated in management, economics, and industrial engineering. All salespersons of the company are degree graduates except one who has got advanced diploma in industrial engineering. In this case, the role of marketing and sales graduates has been given little attention. In reality, sales persons must know and understand the products they sell, the product's features, and its advantages but, most importantly of all, the benefits of what the product can do for the customer. The sales persons should also know the market conditions, industry trends, and competitive tactics. When we see the educational background of the sales persons of the company, it seems that the management principle "the right person for the right position" has been given little attention or almost ignored.

Improving individual's sales performance by training is a key management task. The sum of the parts being more efficient and effective in selling lies in increasing the number of calls, in improving the quality of calls and in communication. The reason for training is to improve performance by increasing sales, reducing costs and adopting better work practices (Donaldson, 1998).

According to the sales division manager, the company does not provide periodic training to its sales force. This is due to lack of well experienced trainers in the country. He also said that the

company in collaboration with Mekelle University has tried to provide training to its sales force, how ever, the training was all about theories and principles of marketing and it was not practical. This is because it did not consider the real environment where the company is operating. He also added that there is a weakness in the training division of the company because it could not arrange program for training by calling experts even from abroad. Customers' reply to the sales forces' characteristics is provided in the table given below.

Table 4.6: Customers' rating to Sales person's Characteristics

Sales person's characteristics	Rating factors										Total in number& (%)
	Very poor in		Poor in		Average in		Good in		Very Good in		
	No	%	No	%	No	%	No	%	No	%	
Product knowledge			6	27.3	2	9.1	14	63.3			22(100%)
Communication skill			5	22.7			13	59.1	4	18.2	22(100%)
Market knowledge	2	9.1	15	68.2			5	22.7			22(100%)
Knowledge of competitors' product	2	9.1	12	54.5			8	36.4			22(100%)
Offer an opinion or have a clear recommendation about a better offer			14	63.6	8	36.4					22(100%)

Source: Own survey, 2010

Product Knowledge

As can be seen from table 4.6, 14(63.3%) of the respondents replied that the sales persons of the company has good product knowledge, 6(27.3%) replied that the sales persons' product knowledge is poor, and the remaining 2((9.1%) replied that the sales persons' product knowledge is average (medium). From this figure, it can be inferred that the sales persons have good knowledge about the product they sell and they can provide customers with the information they need.

Communication Skill

Regarding the communication skill of the sales persons of the company, 13(59.1%) of the respondents rated them as very good and 4(18.2%) rated them as very good. However, the remaining 5(22.7%) rated them as poor. From these data, it can be inferred that the sales persons of the company have good communication when they deal with their customers. This implies that the sales persons can easily transmit information to customers about the product they sell.

Market Knowledge

An essential component of the sales job is to provide management with information on competitors, market condition and trends. Sales people may tend to be parochial in outlook but intelligently collected information from diverse sales areas can be used to form a composite picture (Donaldson, 1998).

In relation to the market knowledge of the sales persons of the company, 15(68.2%) of the respondents confirmed that the sales person's market knowledge is poor, 5(22.7%) confirmed that it is good, and the remaining 2(9.1%) replied that the sales persons' knowledge about the market is very poor. From these data, it can be inferred that the sales persons of the company do not have sufficient knowledge about the market in which they are operating. Market knowledge provides insight into the strengths and weaknesses of competition, the pricing and profitability of products, and ultimately, the current and future needs of customers. However, the sales persons of the company lack knowledge about the market that the company is competing in.

Knowledge of Competitors' Product

Combined with and part of product knowledge must be a detailed knowledge of competitors' products. In addition, sales people must know and understand their competitor's sales policies, organization, and pricing and promotion tactics. Knowledge of competitors will enable positive benefits for a product to be identified and more closely matched with customers' needs and wants (Donaldson, 1998).

In line with the above, 12(54.5%) of the customers surveyed revealed that it is poor, 2(9.1 %) revealed that it is very poor. On the other hand, 8(36.4%) revealed that it is good. From this figure, it can be said that the salespersons of the company do not have enough knowledge about the competitors' products. Unless sales persons know the products that are offered by other competitors it will be difficult for them to compare the benefits of their offer with competitors' product. Further more, a sales person has to know the offer of other competitors and he/she has to able to compare the limitations and benefits of his/her product with competitors' product.

Offer an opinion or Give clear recommendation

Regarding this issue, 14(63.6%) of the respondents reported that the sales persons' effort to give an opinion or clear recommendation about a better product is poor, and 8 (36.4%) revealed that the sales persons' attempt to give an opinion or recommendation about a better offer is average (medium). From this figure, it can be inferred that the sales persons of the company are generally poor in giving recommendation about a better offer to their customers.

The information obtained from the sales division manager shows that the company does not provide its sales persons with bonus, commission and other benefits. According to the sales division manager, the company has no any plan regarding these issues. This implies that the company is not motivating its sales force as needed. Unless sales persons are motivated they could not achieve a level of sales volume which can lead to profitability of the company.

Sales Promotion

Kotler (2005) stated that where as business promotion includes many of the same tools used for consumer or trade promotions but mainly conventions and trade shows and sales contests are used for business promotions.

The company uses the techniques of sales promotion which include gift materials, exhibition and trade fairs from the various alternatives of sales promotion techniques. In 2008, the company had participated in an exhibition which was conducted in Sudan entitled 'Ethio-Sudan Trade and Cultural Fair'. The main objective of the company in that exhibition was market assessment (MIE's News Letter).

Sales promotion as a promotion tool is not widely used by the company. Generally, the company participated in exhibitions/fairs arranged internationally and locally. The company used exhibition as promotional mix to obtain potential market and promises from target audiences.

Public Relation

According to Kotler (2004), public relation is building good relation with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handing or heading off unfavorable rumors, stories and events.

The company promoted its image by sponsoring different events, making audio-visual presentations, seminars, magazines, newsletters that help to improve its image and reputation.

4.1.1.5 Shortage of Inventory

Inventory is defined as a company's merchandise, raw materials and finished products that are on hand at the end of each period. As the company produces goods based on customers' demand, it does not hold any inventory of finished goods.

According to the information obtained from the sales division manager, the company has faced shortage of both raw material and finished good inventory in the previous year. In the year 2008/09, there was shortage of raw material. In the 2008/09 budget year, the total amount spent

on foreign purchase of raw material was 10,325,237 Birr. On the other hand, actual foreign purchase of raw materials in 2006 and 2007 budget year was 35,362,626 and 32,577,693 Birr respectively. Hence, the actual foreign purchase of raw materials was less in the 2008/09 budget year as compared to the actual purchase of raw materials in 2006 and 2007(Please see table 4.8 &4.9). The company could not get enough raw materials for the production of goods and this was due to lack of adequate foreign currency. More over, customers' order received was not served accordingly as the company could not get enough raw materials for the production of the items ordered.

Inventory Turnover The inventory turnover ratio measures the efficiency of the business in managing and selling its inventory. This ratio gauges the liquidity of the firm's inventory.

$$\text{Inventory Turnover} = \frac{\text{Cost of goods sold}}{\text{Average Inventory}}$$

For the purpose of this paper, six years data (2004-2009) has been taken to show the relation ship between sales volume and inventory turn over rate of the company.

Table 4.7: Inventory turnover trend of MIE

Particulars	Year					
	2004	2005	2006	2007	2008	2009
Cost of goods sold	64,589,036	42,387,461	109,805,707	150,281,926	135,962,654	138,375,552
Average inventory	84,518,011	68,491,639	78,094,092	94,551,414	116,980,635	106,578,128.24
Inventory Turnover (times)	0.76	0.62	1.4	1.6	1.2	1.3

Source: Financial Statements of MIE

Table 4.7 depicts the inventory turn over ratio of the company for the last six years. As can be seen from the above table, sales can be related with inventory turn over and they are directly proportional. For example, the inventory turn over rate of the company in 2004 was higher than the inventory turn over rate of 2005. However, after that year it had shown an increment until 2007. By 2008, the inventory turn over rate had shown a decrement. In 2009, however, the inventory turn over rate was rose up. Similarly, the sales volume estimated in terms of Birr in 2004 was higher than its immediate successive year. After 2006, the sales figure had shown an increment until 2007. By 2008, however, the sales volume again dropped. The sales figure of the company in 2009 had shown again a small increment as compared to its preceding year (Please see Table 4.10).

4.1.2 External Environmental Factors

4.1.2.1 Natural Factors

Unavailability of raw materials is the other main problem contributing to the underutilization of existing capacity of the company. According to the information obtained from the sales division manager, most of the raw materials and component parts are obtained from foreign manufacturers. For example, steel materials are imported from Turkey, Ukraine, Germany, and Italy. This shows that there is no proximity between suppliers of its raw materials and the company. This can create unnecessary delays, and an increase in the price of the product due to transportation cost and tariff imposed on imported items. For a company to produce and serve customers' order at the right time, it needs to be with in a close proximity to suppliers.

To overcome the problem mentioned above, the company sometimes tends to buy its raw materials from local dealers but the raw materials and other items purchased from the local market are subjected to some modifications which is another cost to the company. When we compare the amount of money spent on foreign and local purchase, local purchase of raw materials and other items accounts for a small percentage of its total purchase. Raw materials and other items that the company purchases locally include carbon dioxide, tyres, and paintings.

Table 4.8: Comparison of Local and Foreign Purchase of items of MIE

No	Description	Actual purchase of 2006/2007(in Birr)			Actual +estimate Purchase of 2007/2008 (In Birr)		
		Local	Foreign	Total	Local	Foreign	Total
1	Raw materials	4,814,949	35,362,626	40,177,575	3,435,677	32,577,693	36,013,370
2	Comp &Accessories	13,889,126	67,222,185	81,111,311	6,790,465	69,097,655	75,888,121
3	Consumables & other supplies	3,177,630	1,916,966	5,094,595	7,092,156	1,644,076	8,736,232
4	Spare parts	2,573,545	2,594,831	5,168,376	2,732,980	2,910,315	
5	Construction materials	-	-	-	8,157,551	-	8,157,551
6	Imported Tractors &Vehicles	-	-	-	-	-	-
7	Capital goods	8,523,142	817,559	9,340,701	5,124,670	4,244,891	9,369,561
	Total	<u>32,978,392</u>	<u>107,914,166</u>	<u>140,892,559</u>	<u>33,333,500</u>	<u>110,474,630</u>	<u>135,650,579</u>

Source: Operational plan of MIE

Table 4.9: Comparison of Local and Foreign Purchase of items of MIE

No	Description	Actual purchase of 2008/2009(In Birr)			Planned purchase of 2009/2010(In Birr)		
		Local	Foreign	Total	Local	Foreign	Total
1	Raw materials	3,758,936	10,325,237,	14,084,173	2,340,173	44,463,285	46,803,458
2	Comp &Accessories	40,326,749	13,520,886	53,847,635	7,148,309	45,468,091	52,616,400
3	Consumables & other Supplies	3,155,797	11,672,896	14,828,693	2,257,806	528, 608	2,786,414
4	Spare parts	2,227,560	3,282, 622	5,510,183	-	16,320,000	16,320,000
5	Construction materials	-	-	8,272,742	41,789,655	-	41,789,655
6	Imported Tractors &Vehicles	-	-	-	-	34,775,000	34,775,000
7	Capital goods	2,352,198	1,717,609	4,069,807	-	-	-
	Total	<u>51,821,241</u>	<u>48,791,992</u>	<u>100,613,233</u>	<u>53,535,943</u>	<u>141,554,984</u>	<u>195,090,928</u>

Source: Operational plan of MIE

As illustrated in table 4.8, the total foreign purchase of the company estimated in Birr for the year 2006/07 accounts for 77 percent of total purchase accomplished by the company. On the other hand, local purchase accounts only for 23 percent of the total purchase made by the company.

This shows that for that year the company spent the lion share of its purchase budget on items imported from abroad and one can estimate how much foreign currency is required to import these items from abroad. For most items with the exception of capital goods and consumables & supplies, the monetary value of items purchased from abroad is higher than the monetary value of the items purchased from local market. In that year the company did not purchase any construction materials and tractors from foreign or local suppliers.

By 2007/08, the amount spent on foreign purchase generally accounts for 76.8 percent of the total purchase where as local purchase accounts only for 23.2 percent of the total purchase accomplished by the company. This shows that the company spent much of its purchase budget on items purchased from abroad. With the exception of capital goods, construction materials, and consumables & supplies, the amount of money spent on other imported items is higher than the amount spent on items purchased locally. In the purchase budget of 2007/08, the word “Estimate” implies that for that year the budget was closed earlier than the regular time and the purchasing department added an estimated purchase of items for three months. By 2007/08, the company purchased construction materials only from local suppliers but it did not purchase tractors from either of the two suppliers.

Table 4.9 demonstrates that the actual foreign purchase of 2008/09 is 48.5 percent of the total purchase and the local purchase accounts for 51.5 percent of the total purchase of items by the company. This shows that the amount of money that the company spent on local purchase for that year is higher than the amount spent on foreign purchase and this is due to the economic and financial crises that happened in USA and other European Countries. This in turn had resulted in shortage of foreign currency and the company decided to purchase more of the items from the local market. As compared to the actual foreign purchase of raw materials and components & accessories of 2007/08, the amount of money spent on imported raw materials and components & accessories was reduced significantly. In that year the company did not purchase construction materials and tractors from foreign or local suppliers.

In 2009/10, the total foreign purchase is expected to be 72.6 percent; however, the total local purchase will be only 27.4 percent of the total purchase which is going to be accomplished by the company. In the 2009/10 budget year, the company planed to obtain tractors and spare parts only

from abroad and the amount of money to be spent on the purchase of raw materials and accessories has increased significantly as compared to its preceding year. On the other hand, the company planned to buy its consumables and supplies more from the local suppliers. However, the company has no plan to buy capital goods from either local or foreign suppliers.

Generally, the company is highly dependent on foreign suppliers and only less amount of money is spent on local purchases. This is due to the absence of local firms or suppliers who can provide adequate raw materials and other component parts. In addition to this, the amount of foreign currency required to import items is high and this is a loss to the company and to the country at large due to the out flow of foreign currency.

4.1.2.2 Economic Factors

According to Tamminga (2008), economic factors include the nature and direction of the national economy in which a company does business. The author also stated that the availability of credit, the amount of disposable income, inflation, interest rates and a given country's GDP are other economic factors that can hinder or help a firm's marketing efforts.

The global financial and economic crises has also greatly affected the sales volume of the company as most of its raw materials and other component parts which are necessary for the production of goods are imported from abroad and to purchase these items the company needs to have enough foreign currency. However, due to the financial and economic crises there was lack of foreign currency in the year 2008/09. Moreover, the financial and economic crises has resulted in the depreciation of Birr against major hard currencies which directly affects the price of raw materials and other items imported from abroad. As a result of this, the sales volume of the company in 2008 had declined and the main reason for that was lack of raw materials and other component parts. This shows that the economic downturn has had its own impact on the company's sales. When there is no adequate raw material supply the company could not produce and sell and there would be a probability of loss of orders and this in turn leads to customer dissatisfaction which ultimately result in loss of sales.

According to Ato Tewelde Asfaw (2010), the general manager of Mesfin Industrial Engineering PLC, the current economic policy of the country has its own impact on the entire operation of the

company particularly sales. In explaining this issue, he also said that the government is currently engaged in the expansion of infrastructures that contribute a lot to the country's development. The government is highly participating in the construction of roads, houses, and dams or hydro electric plant for generating electric power. To facilitate this, the government is importing raw materials and other items which are necessary for the implementation of such projects. Hence, this in turn would result in an increase the demand for trailers produced by the company for transporting raw materials and other imported items from the port to the different areas of the country. On the other hand, the expansion of projects like hydro electric plant creates an opportunity for the company to participate in the project because the company has a capacity to manufacture and erect hydro electric components such as penstocks, steel liners, gates and reservoirs. For example, the company has been involved in radiographic testing of Tekeze hydro power plant project, erection of petroleum storage tanks and stainless steel at Sululta and Dashen Brewery respectively.

However, the tariff imposed on imported items has created a difficulty in the company's competitiveness. The tariff levied on imported items, the transportation cost, and production costs make the price of the product to be high which in turn will make the company difficult to compete with other competitors.

4.1.2.3 Competition

Competition includes all the actual and the potential rival offerings and substitutes that a buyer may consider. Competition represents only one force in the environment in which the company operates (Kotler, 2006).

According to the general manager, the company is competing not only domestically but also with many international firms. The competition in the domestic market is not that much a threat for the company because most of the domestic competitors have no capacity to compete with the company. In the international market, how ever, the competition is getting fierce. For example, in the trailer's market, there are competitors from Italy, India and Germany.

The company is locally competing with small Ethiopian firms like MARU, TECHALE, KG Engineering, and Nazreth Tractors Assembly Plant. According to the sales division manager, how

ever, these firms have limited capacity as compared to Mesfin Industrial Engineering PLC. He also said that the company is competing not only with domestic firms but also with foreign firms like Calabrese & RLFO of Italy, Mamut of Dubai, and Giyad. This is because local dealers are carrying brands of these manufacturers. From this it can be inferred that foreign manufacturers are entering in to the domestic market and this can lead to a decline in the company's market share.

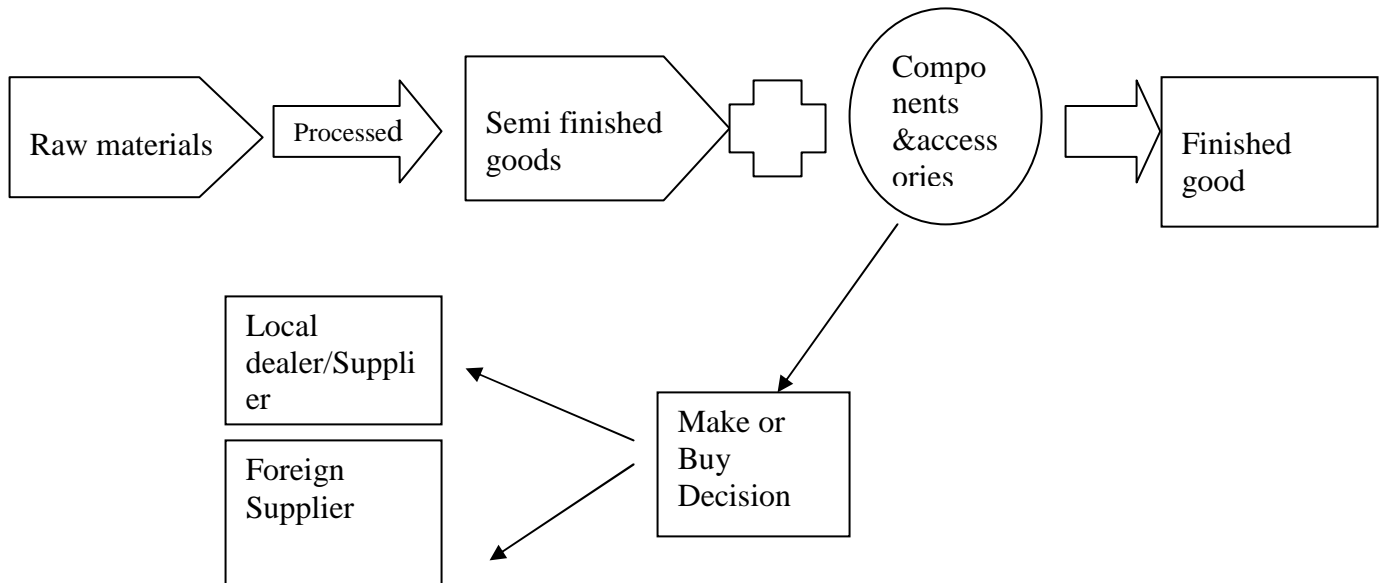
4.1.2.4 Technology

Technology continues to improve at an exponential rate. The best companies stay on top of technological changes and use them to get more work done in a shorter period of time. Marketers must be aware of the changes that may affect their businesses and industries. New devices, strategies, and techniques can help businesses stay ahead of the competition and avoid obsolescence (Tamminga, 2008).

The company obtains most of its raw materials from abroad and it is processed at the processing center of the company. After the raw material is processed, it will become semi finished good and the semi finished good needs components and accessories to be a complete or finished product. This situation leads the company to engage in make or buy decision. However, currently the company has no technology to produce these accessories & components. For example, the company can not produce Axle which is used to transfer energy from the engine through a propeller shaft to the wheels in order to move the vehicles. The alternative that the company currently has is that to buy these components accessories either from local dealers or from foreign suppliers. Buying from foreign supplier in turn would lead the company to be exposed to lack of foreign currency, high transportation costs, and possible delay of raw materials (please see figure 4.5). The lack of technology makes the company not to be competitive with other firms in the international market.

The following figure shows how the company is affected by lack of technology to produce components and accessories.

Figure 4.5: Shows how Technology Affects MIE's Competitiveness



Source: Own Survey, 2010

In addition to capital goods, the company is providing repair and maintenance service to customers but a number of small firms are providing such kind of services and it is disadvantageous for the company to stay in this area of business as there are many small firms in the city and other parts of Ethiopia. The company also could not acquire the technology which enables it to transform its existing situation to the automobile industry. More over, the use of internet for buying and selling is not well practiced by the company. Since we are in the era of globalization where the world is getting smaller and smaller, the use of internet as a promotion tool and as means of getting orders from customers becomes crucial.

4.1.2.5 Political and Legal Condition

It is known that all business organizations are operating under the rules and regulations of a government. Similarly, Mesfin Industrial Engineering is one of the business organizations which is doing business under the rules and regulations of the Ethiopian government. The company has come into existence with the coming of the ruling party to power. Thus, the existing political and legal conditions of the country with its favorable economic policy on manufacturing industry,

provides the company a conducive environment to sell its products in the domestic market. The political stability in the country has also enabled the company to participate in trade fair/exhibition conducted at national and international level.

Efforts have been made by the Ethiopian government on liberalizing foreign trade which enabled the country to participate in the global economy. In addition to this, the government is motivating to firms who are engaged in export business. This is one opportunity for the company to export its products to abroad. On the other hand, the tariff imposed on imported items and the regulatory requirement set by the government on specification of the products to be made has created problems in the company's competitiveness. The tariff levied on imported items is one factor that forced the company to charge high price which creates difficulty in competing with other international firms. In addition to this, the government's regulation on specifications of the product to be made is another factor that affects the company's ability in satisfying customer's requirements. This is because the product that customers ordered is made according to the specification set by the government not according to their own specifications.

The Ethiopian government has been doing its level best in creating conducive atmosphere for the export of Ethiopian products. It has not only given recognitions for exporters who have succeeded in quantifying Ethiopian yearly export volumes but also exerted tremendous effort to further enhance their success. Awards were given in view of high performances in the export of coffee, leather and leather products, garments, textiles and flowers.¹ Hence, this can encourage the company to participate in the export business and thereby getting foreign currency.

4.2 Challenges and Opportunities

According the general manager, the opportunities and challenges of the company are listed as follows:

Opportunities

- The country has shown a remarkable economic growth for the last five years and this in turn leads to an increase in the demand for the company's products and services.

. (Waltainfo.com, 2008). ¹

- An increase in the number of firms engaged in construction activities and an increase in the number of projects would have the potential for the company to sell its products and engage in installation activities of different projects.
- ADLI (Agricultural Development Led Industrialization) strategy, which focuses on ensuring rapid industrial development that produces input and consumptions goods that are suitable for the agricultural sector, and on adding value to agricultural products, which in turn is believed to guarantee backward and forward linkage between agriculture and industry. Hence, this would result in an increase the demand for the company's product.
- The presence of peace and stability in the country enable the company to carry out its operations properly.
- The increase in the number of financial institutions in the country can enable the company and its customers to have good access to credit.
- The company has also a potential to export to South Sudan. Recently, the company has agreed with South Sudan up on the possibility of export of some products.

Challenges

- An increase in the number of firms who are engaged in similar activities in the industry makes the competition to be stiff and fierce.
- The absence of firms who can supply raw materials in the country makes the company to go abroad in search of raw materials and the possible delay that can be encountered in getting supply.
- Unethical practices and corruption makes the company not to participate in bidding for different types of projects. This is because other firms who have no capacity are involved in undertaking many projects.
- Depreciation of an Ethiopian Birr against major hard currencies leads to the lack of foreign currency.

- Interruption of electric power

Further more, according to the general manager, Mesfin Industrial Engineering PLC is the leading equipment manufacturing and industrial engineering company in the East Africa. However, due to lack of adequate market for the product, delay of raw materials, and power interruption the company could not use its full capacity.

4.3 Trend of Sales Volume

To assess the past and the present sales trend of the company an eight year sales figure is obtained. The total planned and actual sales volume achieved for the last five years is summarized in the table given below as follows.

Table 4.10: Planned Vs Actual Sales figures (in Birr)

Years	2005	2006	2007	2008	2009
Planned Sales	109,659,451	212,923,859	419,205,454	268,294,727	184,723,440
Actual sales (in Birr)	49,755,736	153,587,067	197,855,859	167,761,775	170,329,510.26
Performance in percentage	45.4 %	72.1%	47.2%	62.5%	92.2%

Source: Financial Statement of MIE

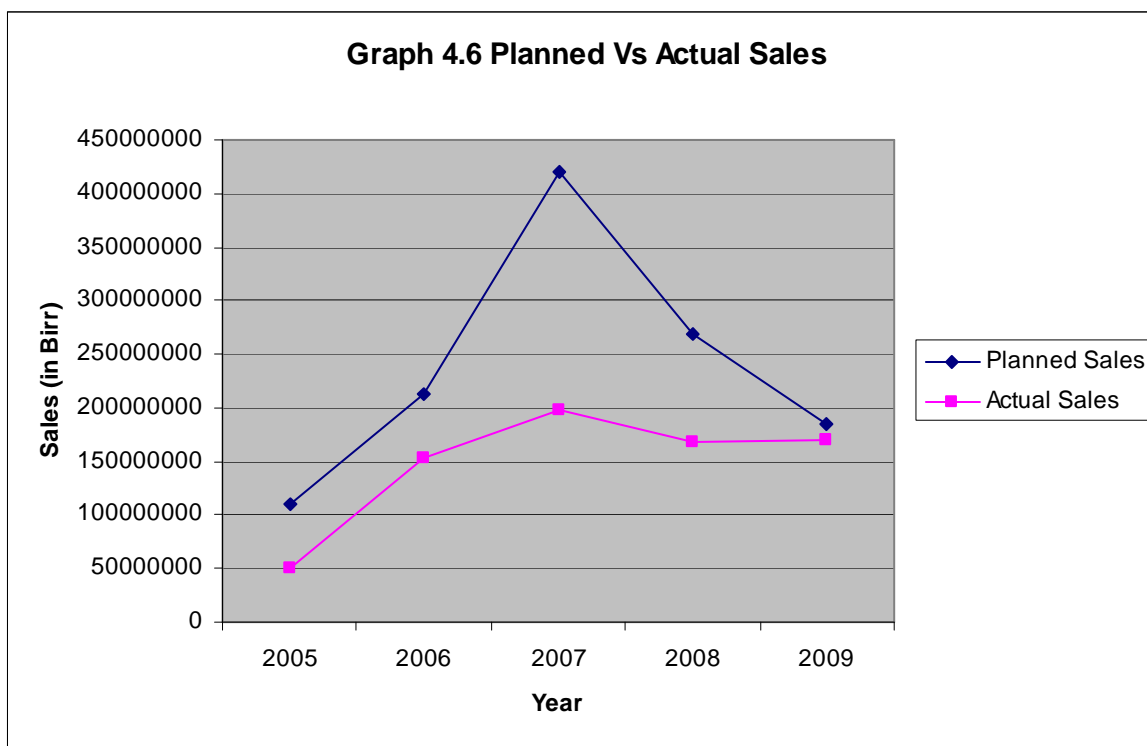
Table 4.10 shows the planned and actual sales of the company for the last five years. In 2005, the actual sales was less than the planned sales and the sales performance for that year was 45.4 percent that is the company's sales plan was achieved by 45.4 percent. By 2006, however, the company's sales performance was relatively high as compared to the sales performance of 2005. The sales performance for the year 2007, 2008 and 2009 was 47.2, 62.5 and 92.2 percent respectively and it had shown an improvement in the company's sales performance and the

planned sales figure was somewhat achievable. However, in 2007, the planned sales seems unattainable and there was a big discrepancy between planned and actual sales. This shows that the company has problem regarding sales forecasting.

In 2005, the company's actual sales was lower than the actual sales of 2004 and it had decreased by 32.6 percent. After 2005, the actual sales figure of the company had continuously increased for two consecutive years that is from 2006 to 2007. By 2006, the sales volume had increased almost three fold as compared to the sales volume of 2005. In 2008, the actual sales of the company again declined by 15.2 percent as compared to the actual sales of its immediate preceding year. By 2009, however, the actual sales figure had increased by 1.5 percent as compared to the actual sales of 2008. From this figure, it can be inferred that the sales volume of the company has shown a fluctuation over the past five years.

For illustration purpose the comparison of actual and planned sales of Mesfin Industrial Engineering PLC is shown in the graph given below.

Graph 4.6: Planned Vs Actual Sales of MIE

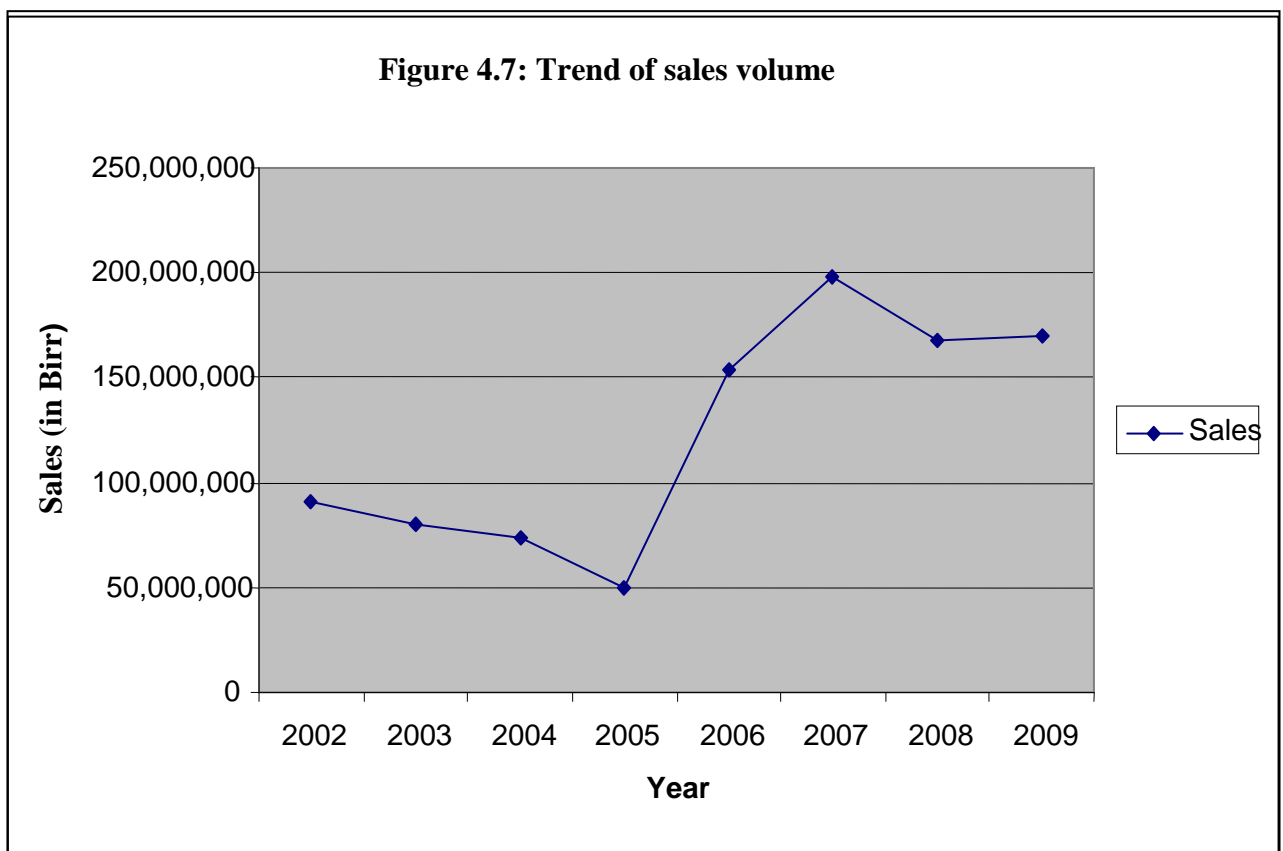


Source: Financial Statement of MIE

As can be seen from figure 4.7, the sales trend of the company initially continuously decreased until 2005 and after that it had shown an increment up to 2007. By 2008, the sales trend of the company again dropped. In 2009, however, the sales volume had shown a small increment.

For illustration purpose, the sales trend of the company for the last eight years is shown below graphically.

Figure 4.7: Trend of sales volume of MIE



Source: Financial statement of MIE

Sales by product type (mix)

The company produces and sells different types of industrial products. Some of the products produced by the company include Dry Cargo Truck, Dry Cargo Trailer, Fuel Cargo Trailer, Fuel Cargo Truck, Dry & Fuel Cargo Semi-Trailer, and Low Bed. The following table shows the

quantity sold of some standardized products of the company for the last five years (i.e. 2005-2009).

Table 4.11: Quantity of product Sold (2005-2009)

No.	Type of product	Quantity of product sold					Total
		Years					
		2005	2006	2007	2008	2009	
1	Dry Cargo Trailer	277	466	75	15	372	1205
2	Dry Cargo Truck	269	442	57	9	352	1129
3	Fuel Cargo Trailer	1	119	78	3	12	213
4	Fuel Cargo Truck	0	119	78	3	11	211
5	Dry Cargo Semi-Trailer	17	36	35	11	414	513
6	Fuel Cargo Semi-Trailer	0	1	43	19	100	163
7	Low Bed	0	0	3	3	27	33
	Total	564	1183	369	63	1288	3467

Source: Company's unpublished report

As illustrated in table 4.11, the quantity sold of Dry Cargo Trailer had increased in the year 2005 to 2006 by 68 percent and then it had shown a decreasing trend from 2006 to 2008 and this was because many customers cancelled orders due to lack of bank loans. Banks had declined to give loans to new customers due to oversupply of dry cargo truck& trailers. In 2009, there was a tremendous increment in the quantity sold of Dry Cargo Trailer.

With regard to the quantity sold of Dry Cargo Truck, there is a similar trend with the quantity sold of Dry Cargo Trailer that is from 2005 to 2006 it had shown an increment and then it had continuously decreased from 2006 to 2008 because customers could not get loan from bank. In the year 2009, the quantity sold of Dry Cargo Truck had increased by 97.4 percent.

From 2005-2006 the quantity sold of both Fuel Cargo Trailer and Fuel Cargo Truck had increased tremendously and after that year the quantity sold of both products had shown a significant decrement until 2008 because customers could not get bank loans. In 2009, the quantity sold of both products had shown a small increment. In 2005, there was no any sale of Fuel Cargo Truck.

Regarding the quantity sold of Dry Cargo Semi-Trailer, there is an increasing trend from 2005-2006. After 2006, it had shown a decrement for two consecutive years that is from 2007 to 2008. During that time, although attempts were made to promote MIE's trailers by inviting general manager of one transport company (Abbarachi Transport) to visit MIE's facility and see the prototype trailer and participating in a trade fair in Gedarif Sudan. But the company could not be able to sell trailers in Sudan due to relatively expensive price of the trailers (second hand trailers were imported to Sudan duty free) and reduced demand of trailers because of market saturation. In 2009, there was a dramatic increment in the quantity sold of Dry Cargo Semi-Trailer.

By 2005, the company did not make any sale on Fuel Cargo Semi-Trailer and Low Bed. From 2006 to 2007 the quantity sold of Fuel Cargo Semi-Trailer had increased and again it declined in 2008. The reason for the decline of quantity sold of Fuel Cargo Semi Trailer was that the order expected from fuel transporters was delayed and there was a change in regulatory requirement of fuel truck-Trailers. By 2009, how ever, the quantity sold of this type of product had increased significantly. For Low Bed, again there was no any quantity sold in 2005 and 2006. The quantity sold for this product was the same in 2007 and 2008. By 2009, it had shown a small increment in the quantity sold.

Of the products sold by the company the quantity sold of Dry Cargo Trailer has the lion share followed by Dry Cargo Truck. On the other hand, quantity sold of Low Bed has the least share. This implies that Dry Cargo Trailer had good demand as compared to other products.

Reasons for the Fluctuations of Sales Volume of MIE

The following are some of the reasons that contributed for the fluctuation of the sales volume of the company.

Lack of Orders from Customers

In the 2008/09 budget year, the company planned to sell 49 units for each truck body and 3-axle draw bar trailers but the actual sales for both products was 4 and 26 units respectively. In addition to this, in that year there was no sale for 4 units of 200 m³ tanker due to lack of orders from customers.

The Interruption of Electric Power

In 2008/09, the country faced shortage of power supply and because of this many manufacturing companies were forced to reduce their power consumption by half. The lack of power supply had impact on Mesfin Industrial Engineering PLC. In the 2008/09 budget year, the company planned to have sales of 4 million Birr on Truck-Trailer Dry-Gellan but the actual sale was 3.3 million Birr only and this was due to lack of adequate power supply .

Long lead time in Foreign Purchase

In the 2007/08 budget year the average lead/delivery time of imported materials was too long it took an average of 162.5 days, 23.5 days more than the planned lead time which was 115-140 days. Further more, in the 2008/09; the average lead time was 211days which is 73 days more than the planned. The reason for the long lead time was due to delay in getting letter of credit permit from banks, long waiting time for trucks in Djibouti and delay of suppliers in sending pro forma invoices.

Shortage of Foreign Currency

The company obtains most of its raw materials from foreign suppliers and to purchase these raw materials the company needs foreign currency. However, there was lack of foreign currency in the country due to the global financial and economic crises which happened during 2007/08 and

the depreciation of Birr against major hard currencies. Due to this reason, the company could not get adequate supply of raw materials to produce and serve customers' orders.

Absence of Local supplier of raw materials and components

The company could not get adequate raw materials and some of the component parts from local suppliers and this is due to the absence of firms which can produce and provide input to the company. This forced the company to look for foreign suppliers in search of raw materials and some component parts

CHAPTER V: CONCLUSION AND RECOMMENDATION

5.1 Conclusions

The main objective of this study was to assess the internal and external environmental factors affecting sales of volume of Mesfin Industrial Engineering PLC. To achieve this objective both primary and secondary data have been obtained. Primary data was obtained through questionnaire and structured interview and the collected data is analyzed and discussed. Based on the findings of the research, the conclusions made are presented as follows.

According to the findings of this research, the price of the products produced by the company is high and this is because most of the raw materials and other items needed as an input by the company are imported from abroad. Because of the tariff levied on imported items, the cost incurred in transporting raw materials and the cost of production all added result in high price of the product. Therefore, the high price can affect the company's competitiveness in the market.

Regarding the after sale services, the company provides different types of after sale services like warranty, installation, and repair and maintenance services. However, the findings of this research shows that the after sale services provided by the company is not enough. Therefore, the company is not providing adequate after sale services to customers. More over, the company is poor in delivering the goods ordered by customers on time. Timely delivery of items to customers has not been give due attention. The company uses direct type of distribution channel and the company has no sales branches in other parts of the country except in Addis Ababa and Mekelle city.

As far as promotion is concerned, advertising (both broadcast and print media) is widely used by the company as a promotion tool where as personal selling, public relation and sales promotion are not extensively used by the company. In addition to this, the company advertises its products rarely and this is not enough in a market where there is high competition. Therefore, the company concentrates more on advertising and the other promotion tools are not given due consideration.

The sales persons of the company have no adequate knowledge about the market and competitor's product. Therefore, the current sales persons are not helping the company in obtaining information about the market and about the nature of the products produced by other competitors. Further more, the sales persons' effort in giving recommendation about a better offer to customers is poor. Majority of the company's sales persons are not marketing or sales professionals and they lack skill and art of selling. More over, the company is weak in providing training to its sales force.

The company is highly dependant on foreign suppliers as most of the raw materials and other items needed as an input by the company are obtained from abroad. The absence of local raw material supplier and dependency on foreign suppliers has created problems of long lead time and delivering the customers' order on time. Taking this fact into consideration, it can be said that the company has no close proximity with its raw material suppliers and it has no easy access to raw materials and component parts required for the production of goods. Further more, the industry where the company is operating has become stiff as there are many competitive firms especially at an international level. There are also many dealers in the country who carry the brand of many international firms competing in the industry.

The sales volume of the company has been fluctuating for the last eight years due to lack of demand & lack of orders from customers, interruption of electric power, shortage of raw material supply, and finally due to the long lead time involved in foreign purchase. The company gets most of its raw materials and other items from abroad and the amount of money spent on foreign purchase is higher than the amount spent on local purchase. Therefore, the company needs more foreign currency to get its raw materials.

In addition to unavailability of raw materials, there are many factors that affect the competitiveness of the company. These are technology, economy, political-legal, and the prevailing competition in the market. The economic factor generally provides the company with some opportunities and challenges. The increase in the economic growth rate of the country is an opportunity as it can increase the demand for the company's products. On the other hand, the financial and economic crises which happened in USA and European countries in 2007/08 had affected the company's sales for that year. The company is operating under the rules and

regulations of the government and this can limit the company's operation. In addition to this, the company currently has no capability to produce axel due the lack of technology. Generally speaking, the external business environment has great impact on the company's sales as the company has little or no control on the different external environmental factors.

5.2 Recommendations

Based on the given conclusions, the following recommendations are forwarded.

- The company has to employ sales persons who have enough knowledge of marketing & sales and with salesmanship or marketing educational background so as to ensure sustainable competitive advantage. The field of study of the current sales persons is management and economics which is not closely related with the sales or marketing profession. Hence, the company has to give more emphasis to this area to be competitive in the domestic and international markets.
- As discussed in the analysis and discussion part, the company's sales plan is not realistic (achievable). Therefore, the company has to employ marketing experts who have the ability and skill to make good sales forecast. The comparison of planned and actual sales shows that the company could not achieve a sales volume which is of equal to or above the planed sales.
- The company has to improve the prevailing problem on the area of specification .The specification provided by customers has not been given due consideration. Instead all the specifications are prepared by the company and customers are forced to agree up on that. The company has to serve its customers according to their needs and wants not according to its own need which is not usual and impractical.
- The company has to do more on cost reduction strategies. To reduce the cost of transporting & importing raw materials and the possibility of delay, the company has to look on the possibility of searching local suppliers or to form backward integration. Further more, the company has to reduce production costs as much as possible using the current technological achievement in technical and managerial aspects.

- The company has to conduct market research to know the existing trend of competitors and to assess current customers' needs and wants so as to produce and serve customers accordingly.
- The sales persons should get periodic training on how to sell, deal and approach potential buyers. By its very nature, the business environment is dynamic and as a result of this there are new developments. These new developments in turn would provide firms with challenges and opportunities. Further more, each environment is unique and demands different response. There fore, the sales persons of the company should get the exposure and experience of other countries' sales persons.
- Mesfin Industrial Engineering PLC is the leading and largest metal products manufacturing company in East Africa .How ever, the company has not been utilizing its full capacity. Most of the products produced by the company are sold in the domestic market. Therefore, the company has to look for foreign markets. The company can at least export to the East African countries thereby expanding its market share and help the country in getting foreign currency.
- The company has to improve its delivery status and products should be delivered on time. As compared to consumer marketing, industrial customers place greater importance on service, that is, timeliness, certainly delivery, or availability of product, because any delay in supply will have a significant impact on the production or operations.
- The company has to make continuous improvement on the product it produces because each time customers prefer to buy a well designed product which saves cost and simplifies their work. In addition to this, competitors can come up with new and better offer so as to satisfy the current needs and wants of customers.
- While personal selling is often the most important aspect of an industrial marketer's communications strategy (due to the technical complexity of the many products and the extensive negotiations involved in the selling of industrial goods), advertising, sales promotion, and publicity also play a critical role in the development of

communication strategy. The most common promotion tool used by the company is advertising. However, each promotion tool has its own contribution and its own unique objective. Therefore, the company has to develop and implement integrated marketing communication strategy. Advertising, sales promotion, and publicity must be coordinated with personal selling efforts so that they contribute to the effectiveness of communication strategy.

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APPENDICES
MEKELLE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT
GRADUATE PROGRAM IN MBA



Appendix A: Questionnaires

For a research entitle ‘Assessment of Factors Affecting sales volume (a case study of Mesfin Industrial Engineering, MIE PLC

Prepared by: Guesh Berhe

Under the super vision of

Principal advisor: Ato Tewelde Mezigobo (Assistant Professor)

Co-advisor: Ato Hagos Meresa (MPP)

April, 2010

Dear respondents the main objective of the study is to assess the internal and external environmental factors that affect the sales volume of Mesfin Industrial Engineering PLC. This questionnaire is designed to secure relevant data to the study which is supposed to come up with valuable recommendation for the problems observed.

Therefore, I earnestly request you to fill the questionnaire carefully. Thank you in advance for your relentless cooperation. This questionnaire has no any intention except for academic purposes.

Questionnaire to customers

1. What do you buy from the company? More than two answers is possible

A. Trucks B. Tractors C. Trailers D. Machineries E. Others (State if any)_____.

2. Do you get any repair and maintenance service as an after sales support when you buy a product from the company?

A. Yes B. No

3. Do you get any warranty for the product you purchase?

A. Yes B. No

4. If your answer to question number 3 is “Yes” for how long?

A. Two months B. Six months C. One year D. Two Years E. Others (specify it if any) _____.

5. Do you think that the after sale service (like warranty, repair & maintenance, installation etc) provided by the company is enough?

A. Yes B. No

6. Does the company deliver the product you order at the right time?

A. Yes B. No

7. Do you think that the price is affordable or competitive relative to other competitors?

A. Yes B. No

8. How do you rate the quality of the company's product with respect to the following attributes or dimensions? Please put a tick (✓) mark under each rating item.

Quality dimensions	Very poor	Poor	Average	Good	Very good
Performance					
Features					
Reliability					
Conformance					
Durability					
Serviceability					

9. Which product do you prefer to buy?

A. product produced in Ethiopia B. product produced abroad C. It depends

10. What ever your answer is to the above question please explain the reason clearly

_____.

11. Why do you prefer to buy the company's product? More than two answers are possible

A. Due to its good performance B. Due to its competitive (fair) price C. Due to its readily availability (proximity) D. Due to its durability

E. Others (please specify it) _____ .

12. Do the sales persons of the company provide you enough information about the product when you go for buying?

A. Yes B. No

13. What are the problems with respect to spare parts to vehicles that you buy from the company?
 A. Quality B. Price C. Availability D. Other (please specify it)

_____ .

14. How do you rate the characteristics of the salesperson of the company with respect to the following attributes? Please put a tick (✓) mark under each rating item.

Characteristics	Very poor	Poor	Average	Good	Very good
Product knowledge					
Communication skill					
Market Knowledge					
Knowledge of competitors' product					
Offer an opinion or have a clear recommendation about a better offer					

----- **THE END** -----

Thank you for taking your precious time and completing the form.

የኢሸርሶቲ መቐለ
ኮሌጅ ቢዝነስን ኢኮኖሚክስን
ክፍሊ ትምህርቲ ስራሕ አመራርሐ



መጠይቅ

**ናይቲ መፅናዕቲ ርእሰ “Assessment of Factors Affecting Sales
Volume A Case Study of Mesfin Industrial Engineering PLC”**

መዳለዊ፡ ጉዕሻ በርሀ

ናይቲ መፅናዕቲ

ዋና ሓጋዚ፡ አይተ ተወልደ መዝገቡ (Assistant Professor)

ናይ ዋና ሓጋዚ ተሓባባሪ፡ አይተ ሓጎስ መረሳ (MPP)

ሚያዝያ, 2002 ዓ/ ም

የኢኮኖሚክስ መቅለ

ኮሌጅ ቢዝነስን ኢኮኖሚክስን

ክፍሉ ትምህርቱ ስራሕ አመራርሓ

ዝክብርኩም ናይ 'ዚ መጠይቕ መለስቲ፡

እነ ጉዕሽ በርህ ዝተበሃልኩ ኣብ የኢኮኖሚክስ መቅለ ዓዲ ሓቂ ግቢ ብቢዝነስ ኣድሚኒስትሬሽን(MBA) ናይ ካልኣይ ድግሪ ፕሮግራም እንዳተኸታተልኩ ዝርከብ ኮይነ ኣብዚ ሕዚ እዋን ናይ መመረቂ ቅሑፍ ኣብ ምድላው እርከብ። እዚ መፅናዕቲ ኣብ መስፍን ኢንዱስትሪያል ኢንጂነሪንግ ሓላፍነቱ ዝተወሰነ ናይ ውልቀ ማሕበር ዝካየድ ኮይኑ ዕላማ ናይቲ መፅናዕቲ ናይቲ ትካል ውሽጣዊን ግዳማዊን ሓይልታት ብምፍታሽ ኣብቲ ናይቲ ትካል ናይ መሸጣ ዓቕን/ትሕዝቶ/ ወይ ድማ ነቲ ትካል ፍርያቱ ኣብ ምሻጥ ዘለዎም ግደ ንምርኣይ 'ዩ። እዚ መጠይቕ ዝተዳለወሉ ቀንዲ ምክንያት ካብኹም እኹል ዝኾነ ሓበሬታ ብምርካብ ነቶም በቲ መፅናዕቲ ዝተረኸቡ ፀገማት መፍትሒ ንምቕማጥ 'ዩ።

ንምትሕብባርኩም ኣቐዲመ እንዳ ኣመስገንኩ ነዚ መጠይቕ ድማ ብትክክል ንክትመልእዎ ብትሕትና እላበወኩም። እቲ መጠይቕ ካብ ንትምህርቲ ሓሊፉ ካለእ ዓላማ ከም ዘየብሉ ክሕብረልኩም እፈቱ።

መጠይቕ

- ካብ መስፍን ኢንዱስትሪያል ኢንጂነሪንግ ሓላፍነቱ ዝተወሰነ ናይ ውልቀ ማሕበር እንታይን እንታይን ፍርያት ይገዝኡ? ካብ ክልተ መልሲ ምምላስ ይክኣል 'ዩ።

ሀ. ናይ ፅዕነት መካይን ለ. ትራክተር ሐ. ተሰሓብቲ መካይን መ. ማሻፍት

ረ. ካልኦት እንተሃልዮም በይዘኦም ይዘርዘርዎም/ይጥቀስዎም/

- ፍርያት ኣብ እትገዝእሉ እዋን ናይ ፅገናን ኣተሓሕዛን ግልጋሎት ትረክቡ ዶ?

ሀ. እወ ለ. የለን

- ካብቲ ትካል ፍርያት ኣብ እትገዝእሉ እዋን ነቲ እትገዝእዎ ፍርያት ውሕስና ትረክቡ ዶ?

ሀ. እወ ለ. የለን

4. ነቲ ኣብ ተራ ቁፅሪ ክልተ ዝተጠቐሰ ሕቶ መልስም “እወ” እንተድኣ ኾይኑ ንኸንደይ ግዜ ዝኣክል ውሕስና ይወሃበኩም?

ሀ. ንክልተ ወርሒ ለ. ንሽዱሽተ ወርሒ ሐ. ንሓደ ዓመት መ. ንክልተ ዓመት

ረ. ካብቲ ዝተዘርዘረ ወፃኢ ካልእ እንተድኣ ሃልዩ በይዘኣም ይዘርዘርዎ/ይጥቀስዎ/

5. እቲ ትካል ዘቕርቦም ናይ ድሕሪ መሸጣ ግልጋሎት ከም ውሕስና፤ ማሸን ተኸላ ዝበሉ እኹላት ድዮም?

ሀ. እወ ለ. ኣይኮኑን

6. እቲ ትካል ፍርያት ብግዚኡ ወይ ድማ ኣብ ዝደልይዎ ግዜ ዶ የቕርብሎም?

ሀ. እወ ለ. ኣይኮኑን

7. ምስ ካልኣት ተወዳደርቲ ወይ ድም ተመሳሳሊ ፍረያት ምስ ዘቕርቡ ካልኣት ትካላት ብምንፅፃር ዋጋ ናይቲ ዝገዝእዎ ፍረያት ተመጣጣኒ ‘ዩ ዶ ይብሉ?

ሀ. እወ ለ. ኣይኮኑን

8. እዞም ዝስዕቡ መለክዕታት ተጠቂሞም እቲ ትካል ንዘቕርቦም ፍርያት ይገምግምዎም። በይዘኣም ኣብ ትሕቲ እቲ ዝደልይዎ መልሲ ናይ “✓” ምልክት የቐምጡ።

ናይ ፍረያት ፅርየት መለክዕታት	ደረጃ መለክዕታት				
	ብጣዕሚ ትሑት	ትሑት	ማእኸላይ	ፅቡቕ	ኣዝዩ ፅቡቕ
Performance/ ናይ ምስራሕ ክእለት ወይ ድማ ቅልጥፍና/					
Features/ ተወሳኺ ገፅታ /					
Reliability/ ከይተበላሸወ ናይ ምስራሕ ቀፃልነት/					
Conformance /ናይ ምግጥጣም ተኸእሎ/					
Durability/ናይ ኣገልግሎት ግዚኡ/					
Serviceability/ ብቐሊሉ ናይ ምዕራይ ወይ ድማ ናይ ምፅጋን ዓቕሙ ወይ ድማ ተኸእልኡ/					

9. ኣበይ ዝተሰርሐ ፍርያት ይመርፁ?

ሀ. ኣብ ኢትዮጵያ ለ. ኣብ ወፃኢ ሃገር ሐ. ከከም ኩነታቱ

10. ን ሕቶ ተራ ቁፅሪ 10 መልሶም ኣብ ኢትዮጵያ ወይ ኣብ ወፃኢ ሃገር ዝተሰርሐ ዝብል እንተድኣ ኮይኑ በይዘኦም ኣብቲ ዝቕፅል ባዶ ቦታ መልሶም የቐምጡ

11. ናይቲ ትካል ፍርያት ብምንታይ ምኽንያት ይመርፅዎ?

ሀ. ብናይ ስራሕ ቅልጥፍንኡ ለ. ዋግኡ ተመጣጣኒ ስለዝኾነ ሐ. ብናይ ነዊሕ

ኣገልግለት ተኸእልኡ ምኽንያት መ. ኣብ ቀረባ ስለ ዝርከብ

ረ. ካብቲ ዝተዘርዘረ ወፃኢ ካልእ እንተድኣ ሃልዩ በይዘኦም ይግለፅዎ/ይጥቀስዎ/

12. ካብቲ ትካል ዝኾነ ፍርያት ንምግባእ እንትኸዱ እቶም ፍርያት ዝሸጡ ናይ መሸጣ ክኢላታት እኹል ዝኾነ ሓበሬታ ዶ ይህብዎም?

ሀ. እወ ለ. ኣይኮኑን

13. ምስ ናይ ካልኦት ተሸከርከርቲ መለዋወጢ ኣቐሑት ዝተተሓሓዘ እንታይ ፀገም ኣሎ?

ሀ. ፅሬት ለ. ዋጋ ሐ. ስእነት

መ. ካብቲ ዝተዘርዘረ ወፃኢ ካልእ እንተድኣ ሃልዩ በይዘኦም ይግለፅዎ/ይጥቀስዎ/

14. እዞም ዝስዕቡ መለክዕታት ተጠቂሞም ናይቲ ትካል ክኢላታት መሸጣ ይገምግምዎም።
በይዘኦም ኣብ ትሕቲ እቲ ዝደልይዎ ናይ ደረጃ መለክዒ ናይ “✓” ምልክት የቐምጡ።

ናይ ክኢላታት መሸጣ ፀባያት	ደረጃ መለክዕታት				
	ብጣዕሚ ትሑት	ትሑት	ማእኸላይ	ፅቡቕ	ኣዝዩ ፅቡቕ
ናይ ፍርያት ፍልጠት					
ናይ ዝርርብ ክእለት					
ናይ ዕዳጋ ፍልጠት					
ናይ ተወዳደርቲ ፍርያት ፍልጠት					
ብዘዕባ ፅቡቕ ፍርያት ርኢኦ ወይ ሓሳብ ኣብ ምሃብ ዘለዎም ክእለት					

----- ንትሕብብርኩም የመስግን! -----

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Appendix B: Interview Schedule Marketing and Sales Department

**MEKELLE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT
GRADUATE PROGRAM IN MBA**



For a research entitled ‘Assessment of Factors Affecting Sales Volume (A Case Study of Mesfin Industrial Engineering PLC)’

Prepared by: Guesh Berhe

Under the super vision of

Principal advisor: Ato Tewelde Mezgobo (Assistant Professor)

Co-advisor: Ato Hagos Meresa (MPP)

April, 2010

Interview Schedule to Marketing and Sales department

1. What base do you use for pricing your products?

- A. Cost of production B. Price of competitors C. Customers' willingness to pay
D. Others (specify it) _____ .

2. As compared to other competitors how do you rate the price of your product?

- A very low B. Low C. High D. very high

3. What ever your answer is to question number 2 please state the reason clearly _____
_____ .

4. From where do you get your raw materials and component parts?

- A. From local manufacturers B. From foreign manufacturers
C. From local dealers D. Others (please specify it) _____

5. Does the previous year's financial and economic crises affect your sales volume of 2008/09?

- A. Yes B .No

6. If your answer to question number 5 is "Yes", how please state it clearly

_____ .

7. Who are your current customers in

- A. Mekelle city? _____

- B. In the region _____
_____ .

- C. Out side the region, in Ethiopia _____
_____ .

- D. Out side Ethiopia _____ .

8. Who are your current competitors at local and international level?

9. What does the trend of your sales seem?

- A. Increasing B. Decreasing C. Neither decreasing nor increasing
D. Others (state it if any) _____

10. If your answer to question number 9 is “increasing or decreasing” what is the reason please state it clearly

11. Do you provide periodic training to your sales persons to update themselves or cope up with the ever changing business environment?

- A. Yes B. No

12. If your answer to question number 11 is “No” why not _____

13. What is the educational level of your sales persons and what is their field of study?

14. Do you promote your products?

- A. Yes B. No

15. If your answer to question number 14 is “Yes” what types of promotion tools do you use?

- A. Advertising B. public relation and Publicity C. sales promotion
D. personal selling E. Others (please specify it) _____

16. If you are using advertising as a means of promotion, how often do you advertise your products?

- A. Regularly B. Some times C. Rarely

17. If you advertise your products which medium (media) do you use?

- A. Television B. Radio C. News papers D. Magazines

E. Others (please specify if any) _____

18. Do you have shortage of raw material inventory in your warehouse?

A. Yes B. No

19. If your answer to question number 18 is “Yes” why _____

20. Do you have sales agents or sales branches in the region and other regions of the country?

A. Yes B. No

21. Do you give sales credit to your customers?

A. Yes B. No

22. If your answer to question number 21 is “Yes” how much and for how long _____.

23. If your answer to question number 21 is “No” why not _____

_____.

24. What types of after sale services do you provide to your customers? _____

_____.

25. Does the company give any bonus, commission or any other benefit to its sales force?

A. Yes B. No

26. If your answer to question number 25 is “No” Why not _____

_____.

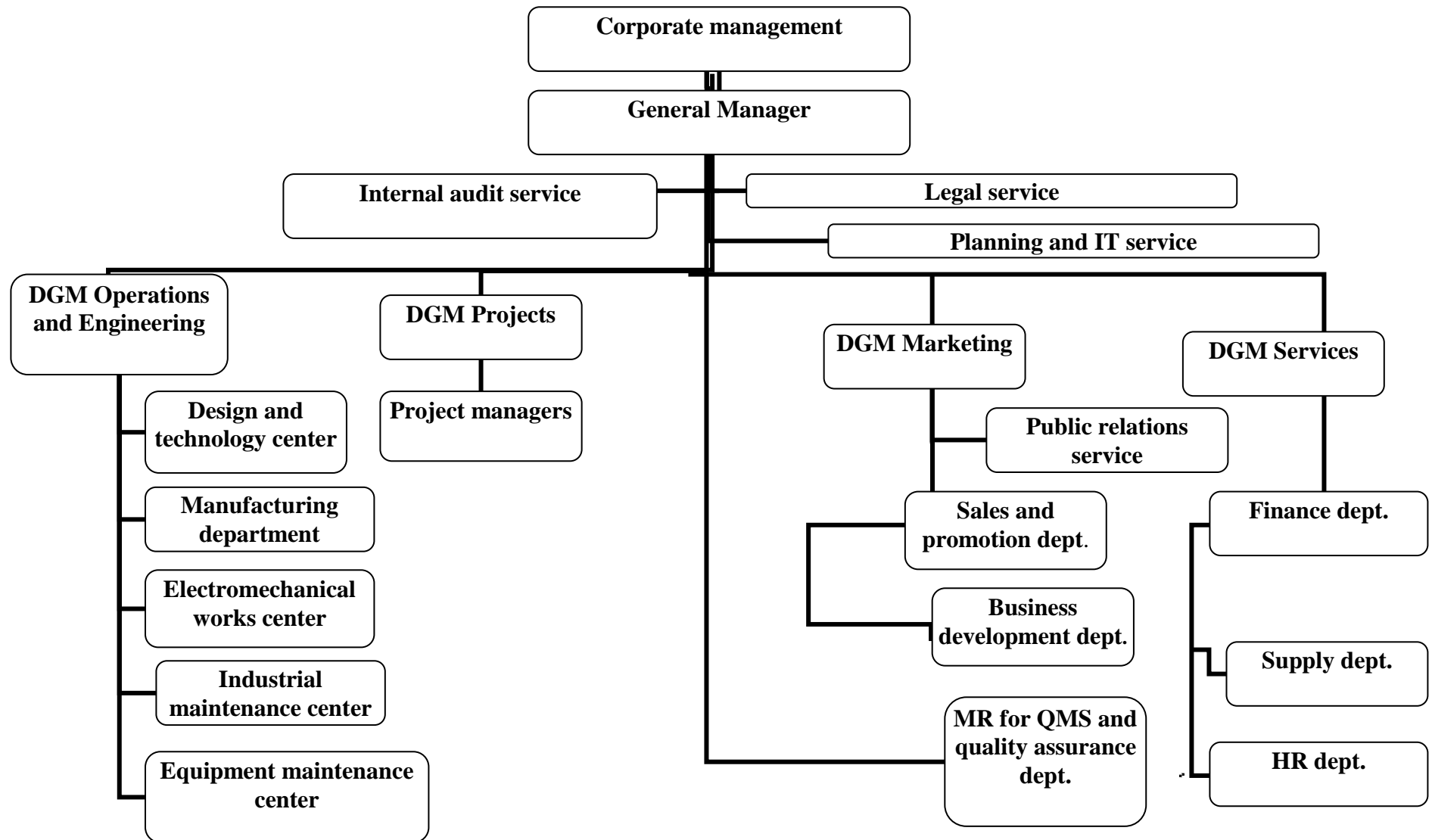
27. What after sale service policy does the company follow? Please explain it

_____.

Appendix C: Interview Schedule to General Manager

1. Does the Ethiopian government economic policy has effect on your operation particularly sales? Please explain it briefly
2. How do you see (evaluate) the competition in the industry that you are engaged in?
3. How is the existing political and legal condition of the country affecting your entire operation? Please clarify it.
4. Does the company utilize its full capacity? Why?
5. What are the challenges and opportunities of your company?

Appendix -D Organizational Structure of MIE



Appendix- E Purchase of Plan of MIE(2006-2010)

No	Description	Actual purchase of 2006/2007(in Birr)			Actual +estimate Purchase of 2007/2008 (In Birr)		
		Local	Foreign	Total	Local	Foreign	Total
1	Raw materials	4,814,949	35,362,626	40,177,575	3,435,677	32,577,693	36,013,370
2	Comp &Accessories	13,889,126	67,222,185	81,111,311	6,790,465	69,097,655	75,888,121
3	Consumables & other supplies	3,177,630	1,916,966	5,094,595	7,092,156	1,644,076	8,736,232
4	Spare parts	2,573,545	2,594,831	5,168,376	2,732,980	2,910,315	5,643,295
5	Construction materials	-	-	-	8,157,551	-	8,157,551
6	Imported Tractors & Vehicles	-	-	-	-	-	-
7	Capital goods	8,523,142	817,559	9,340,701	5,124,670	4,244,891	9,369,561
	Total	<u>32,978,392</u>	<u>107,914,166</u>	<u>140,892,559</u>	<u>33,333,500</u>	<u>110,474,630</u>	<u>135,650,579</u>

No	Description	Actual purchase of 2008/2009(In Birr)			Planned purchase of 2009/2010(In Birr)		
		Local	Foreign	Total	Local	Foreign	Total
1	Raw materials	3,758,936	10,325,237,	14,084,173	2,340,173	44,463,285	46,803,458
2	Comp &Accessories	40,326,749	13,520,886	53,847,635	7,148,309	45,468,091	52,616,400
3	Consumables & other Supplies	3,155,797	11,672,896	14,828,693	2,257,806	528, 608	2,786,414
4	Spare parts	2,227,560	3,282, 622	5,510,183	-	16,320,000	16,320,000
5	Construction materials	-	-	8,272,742	41,789,655	-	41,789,655
6	Imported Tractors & Vehicles	-	-	-	-	34,775,000	34,775,000
7	Capital goods	2,352,198	1,717,609	4,069,807	-	-	-
	Total	<u>51,821,241</u>	<u>48,791,992</u>	<u>100,613,233</u>	<u>53,535,943</u>	<u>141,554,984</u>	<u>195,090,928</u>

Appendix- F Actual Sales of MIE (2002-2009)

Year	2002	2003	2004	2005	2006	2007	2008	2009
Actual sales	90,741,291	80,439,860	71, 011,989	49,755,736	153,587,067	197,855,859	167,761,775	184,723,440

Appendix-G Planned Vs Actual sales of MIE(2005-2009)

Years	2005	2006	2007	2008	2009
Planned Sales	109,659,451	212,923,859	419,205,454	268,294,727	184,723,440
Actual sales (in Birr)	49,755,736	153,587,067	197,855,859	167,761,775	170,329,510.26
Performance in percentage	45.4 %	72.1%	47.2%	62.5%	92.2%

Appendix –H Inventory Turnover trend of MIE (2004-2005)

Particulars	Year					
	2004	2005	2006	2007	2008	2009
Cost of goods sold	64,589,036	42,387,461	109,805,707	150,281,926	135,962,654	138,375,552
Average inventory	84,518,011	68,491,639	78,094,092	94,551,414	116,980,635	106,578,128.24
Inventory Turnover (times)	0.76	0.62	1.4	1.6	1.2	1.3